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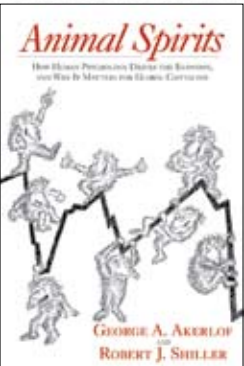


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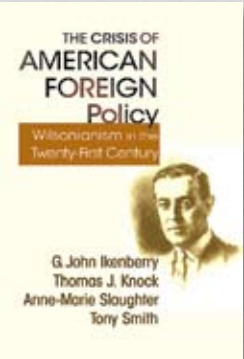
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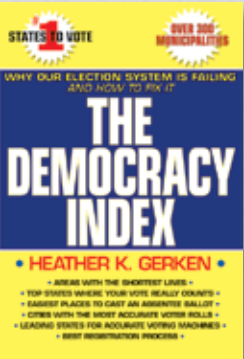
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“Infinite growth of material consumption in a finite world is an impossibility.”

— E. F. SCHUMACHER
SMALL IS BEAUTIFUL, 1973

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TAP ONLINE

- 🗳️ This month at www.prospect.org, *Tim Fernholz* polls the experts on the housing crisis, *Brentin Mock* talks to activists about rebuilding New Orleans, and *Christopher Hayes* asks if recessions are a good thing.

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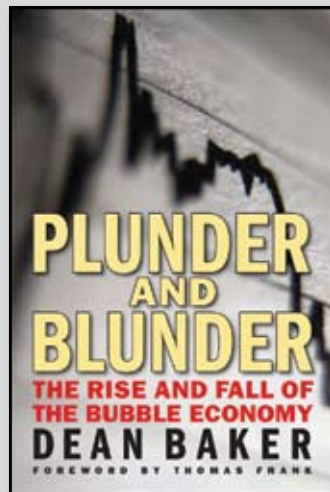
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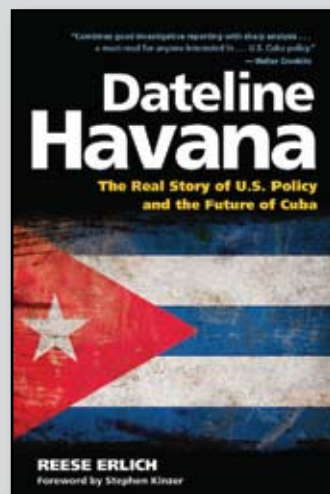
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PROSPECTS

Slouching Towards Solvency

PRESIDENT OBAMA HAS WORKED WONDERS WITH THE budgetary part of the recovery program. But if he doesn't solve the banking and housing crises, the economy will continue collapsing. The latest programs from Treasury Secretary Timothy Geithner are both implausible

and impolitic. Geithner's "public-private partnership" to jump-start bank lending would invite the same high rollers who caused the collapse to speculate in securitized bonds, this time with guarantees from the Federal Reserve. Supposedly, once these buyers appear, banks will resume normal lending. If the securities turn out to be worth something, the hedge funds and private-equity investors gain. If the investments go bad, the taxpayers lose. But that's not even the worst part.

This trillion-dollar scheme pays dearly to fetch buyers for newly issued bonds—but doesn't create a market to help the banks unload the older toxic bonds issued during the bubble years. However, these older bonds are precisely the ones clogging bank balance sheets. If Geithner's plan doesn't address that part of the problem, it won't get the banking system functioning normally.

Meanwhile, the new \$75 billion mortgage-relief plan is almost as flawed as the banking rescue. People are denied help if they've been late on even one monthly payment in the past year. But it is these struggling borrowers who need the most urgent help.

The plan permits refinancing, if the new mortgage can be brought down to 105 percent of the current depressed value of the house (thus excluding much of the Sunbelt where mortgages are typically much further underwater). Banks can try to negotiate workouts to reduce the principal value of the mortgage, but if

the loan has been securitized, they must persuade the bondholder to eat the loss. The plan is designed primarily for loans held by banks, while most of the troubled mortgages are the "securitized" ones.

At the heart of this entire mess is the system of securitization, which dates only to the 1970s. In principle, it usefully allowed banks to sell off loans and thereby replenish cash to make other loans. But in practice, the system turned into an unsupervised doomsday machine. Not only did the system invite lenders to relax underwriting standards because some sucker down the line was absorbing the risk; more seriously it led to an aftermath that has proven impossible to unwind without having government temporarily take the big banks into receivership to sort out what's really on their books. This remedy is what Geithner hopes to avoid, thus prolonging the agony.

Rather, like Paulson before him, Geithner keeps pursuing more securitization, with the same futile results. Having speculators do the job cannot be done except at an unacceptably high price to taxpayers, with the added cost of inviting a new round of excess leverage and risk.

The refinancing of distressed mortgages, likewise, can only be done efficiently and quickly if government does it

directly. This is what Franklin Roosevelt did with the Home Owners Loan Corporation. The seemingly insoluble problem of turning currently worthless mortgage-backed bonds back into loans can be solved using the government's power of eminent domain. Government could then compensate bondholders at so many cents on the dollar.

Recently, economist Alan Blinder, a former vice chairman of the Federal Reserve and occasional contributor to these pages, told *The Wall Street Journal*, "There has been somewhat of a collapse of the banking system, but an almost total collapse of the shadow banking system. Given our reliance on the latter, we need to get the shadow banking system revived." Ordinarily, I find Blinder a thoughtful and public-minded economist. But this view has it exactly backward.

The real challenge is to *minimize* the role of exotic securitization and to subject the shadow banking system to full regulatory scrutiny. Somehow, before 1975 businesses got ample credit, homeowners received mortgages, and entrepreneurs were hooked up with investors—all without securitization. If there is a legitimate but limited role for turning loans into bonds, capital reserve requirements, disclosures, and greater scrutiny are all indicated. Geithner plans none of this.

Recently I interviewed the former governor of the Bank of India, Dr. Yaga Reddy, on how the Indian banking system, and by extension the Indian economy, has avoided catastrophe. India projects growth of about 7 percent in 2009, *The New York Times* recently reported.

In the last quarter of 2008, India grew at 5.3 percent compared to a decline of 6.2 percent for the U.S. How did India dodge the financial bullet?

"We are a poor developing nation," Dr. Reddy explained. "We don't really understand these securities, so we don't permit our banks to use them. We leave them to the advanced nations like you." **TAP**

— ROBERT KUTTNER

*The system of
securitizing
loans became
a doomsday
machine.*



GENERATION GAP

In response to **ADAM SERWER's** article on the challenges facing the NAACP, blogger **PRO-METHEUS 6** writes that the NAACP "is so hooked into the political infrastructure, it would be foolish to ignore its connections or let it die. But honestly, the problem that caused activists in my cohort to detach from the mainline civil rights groups as they seemed to be in the business of making symbolic gestures or selling indulgences. Okay, selling indulgences is wrong, but institutions would claim a donation to the official guys proved you weren't racist in much the same way as the spook who sat by the door did."

EAT IT

TOM LASKAWY, a blogger for the environmental news Web site **GRIST**, is a bit more critical of **ALICE WATERS** than **EZRA KLEIN** was in last month's Up Front feature, "Foodie Politics." Laskawy writes, "I'm hesitant to step in the middle of any debate over Alice Waters' contributions to food policy." But he continues, it's "a shame ... the same qualities that contributed to her success in the professional kitchen—her rigorousness, her passion, her attention to detail, her unwillingness to suffer fools gladly—are clearly not serv-

ing her well at the moment. ... And this becomes an issue for food policy generally to the extent that the message gets entangled with the messenger. If nothing else, the contentious role Waters continues to play makes clear that the progressive food movement is a work in progress and that its 'leadership' is very much up for grabs."

TWITTERPATED

After reading **ELI SANDERS'** feature, "Anatomy of a Net-roots Failure," the subject of the piece, **DARCY BURNER**, chose an appropriately new-media forum to respond. Burner posts on her Twitter feed: "I think the people who accused Eli Sanders of having a crush on me can safely conclude he's long over it with the 3/09 American Prospect."

THE ALTER-LIMBAUGH

British and U.S. conservatives alike take note of "Britain's Great Right Hope," **JAMES CRABTREE's** feature on the Tories' comeback. Crabtree "outlin[es] what he thinks U.S. Republicans can learn from **DAVID CAMERON's** leadership of the Conservative Party," blogs popular British conservative writer **IAIN DALE**, one of many in his sphere to link to the article.

On this side of the pond, former Bush speechwriter, **DAVID FRUM**, finds the piece very timely as Republicans debate the importance and prominence of **RUSH LIMBAUGH**. Frum links to the feature on his Web site, **THE NEW MAJORITY**, and notes that Cameron's success in the U.K. "was achieved with small changes in policy supported by dramatic changes in style and tone." Frum deems Cameron's approach "the alterna-

tive" to Limbaugh's style of conservative politics.

NEW HELP, NEW HOPE

COURTNEY SCRUBBS, community service co-chair of the **STUDENT NATIONAL MEDICAL ASSOCIATION** (SNMA), reached out to *TAP* after reading **CHANDRA THOMAS'** piece in our March special report, "After Katrina," on housing struggles in New Orleans. In her article, Thomas writes about **LA'TINA KING**, "a single parent of five girls ages 9 to 5—all with special psychiatric needs now exacerbated by the Katrina

ordeal." Scrubbs thinks SNMA can help; her group is hoping to "adopt" King's family by giving them medical assistance as part of a program related to SNMA's annual conference this month in New Orleans. Planning is underway, and we hope the group is able to connect with King's family.

Write to us at letters@prospect.org or to The Editors, The American Prospect, 1710 Rhode Island Ave., NW, 12th Floor, Washington, D.C. 20036. Or join the conversation online at www.prospect.org

FROM THE EXECUTIVE EDITOR

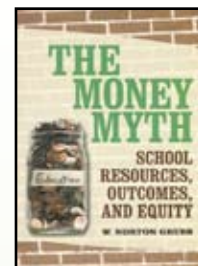
IN FEBRUARY, THIS MAGAZINE CO-HOSTED A CONFERENCE called "Thinking Big, Thinking Forward," which drew almost a thousand people to hear Paul Krugman, Alan Brinkley, Theda Skocpol, Deepak Bhargava, and others speak about the kind of transformative economic policy that will lead to sustained and shared prosperity.

But thinking big also means, in a sense, thinking small. We will not re-create the bubbles of consumer spending and financial speculation that drove economic growth over the last few years. Ever since Ronald Reagan defeated Jimmy Carter in 1980, the conventional wisdom has been that blind, boosterish optimism beats the language of realistic expectations and shared sacrifice every time. But as Kevin Mattson points out, when Carter called for common purpose and civic renewal, it gave his flagging presidency a huge boost and forged a language that President Obama picked up in his Inaugural Address. Economist Robert Frank explains how reducing the consumption arms race can make us all happier and how specific tax policies can achieve it.

America's schools have been the site of a long battle between those who want to use strict standards and market mechanisms to improve school performance and those who argue that schools and teachers can't reverse the influence of economic inequality and disintegrating communities. As Dana Goldstein reports, signs of a truce are in the air, as innovative leaders of teachers' unions find ways to work with charter schools and teacher-accountability measures. Also in this issue, Robert Kuttner profiles the complex and challenging views of Cass Sunstein, whom Obama has placed at the nexus of all regulation, and Tara McKelvey looks at the dilemmas of American policy in Afghanistan and Pakistan through the personality and experience of our new special envoy to the region, Richard Holbrooke. — MARK SCHMITT



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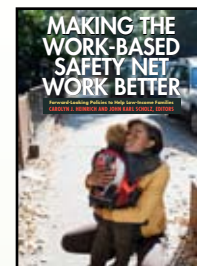
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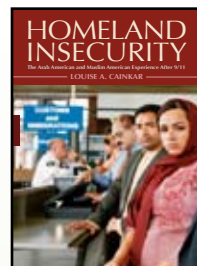
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BREAKFAST AT HUGO’S

Our correspondent learns too much about the Bolivarian revolution.

SOMETIMES, AN INSULT can get you free breakfast. After rashly calling President Hugo Chávez of Venezuela a dictator on our blog, *TAPPED*, I received an invitation from Chávez’s embassy: Come to breakfast, and we’ll tell you why he isn’t an autocrat. Two members of the Venezuelan national assembly were on tour to explain their country’s democratic process to the world prior to a referendum eliminating Chávez’s term limit. It was as though the U.S. had sent Sens. Jim Inhofe and John Cornyn on a 30-country tour to explain the Bush administration’s environ-

mental and torture policies. They doth protest too much. On a bitterly cold February morning, I walked up the curved drive of the mansion residence of the Venezuelan *chargé d’affaires*, where I was ushered into an ornate receiving room complete with a baby grand piano and a dozen people milling about. As my glasses defogged and a tiny cup of coffee was pushed into my hand, I found myself kissing the cheek of the embassy’s spokesperson and being pushed toward Venezuelan Assemblyman Calixto Ortega, a big man with a Blagojevichian mane of black hair. He greeted me in rapid-

fire Spanish—a language I don’t speak—and gestured for me to sit in an uncomfortable Victorian chair. As reporters and embassy officials chatted away, it quickly became apparent I was the only person in the room not fluent in Spanish. Avoiding eye contact with everyone, I nodded carefully when one man turned to me and said something that ended in “Obama bien, eh?” I was rescued when tuxedoed butlers came to take us into the next room for breakfast, revealing an ornate dining table opposite a crowded buffet, all framed by giant abstract paintings and two huge silver candlesticks like in a scene from *The Discreet Charm of the Bourgeoisie*. I pulled aside the embassy’s press aide to remind her of my linguistic difficulties, and she promised me a translator. In the meantime, munching on *arepas* and eggs, I struck up a conversation with two reporters, from Argentina and Colombia respectively, and remarked that I had heard wonderful things about Buenos Aires. The Argentine replied that it was “cheap” there. “I’m sure it’s more than just that,” I said quickly, receiving only a dark look in response. Diplomacy fail. Once the reporters and officials were settled around the table, an embassy official

brought me a small radio with a single earphone—a link to my translator, a woman who paced around the far side of the room whispering into a transmitter as the two members of the assembly, Ortega (the bearish man I met earlier) and Francisco Torrealba, his trimmer and more intense colleague, began to speak. The quiet translations in my ear made quite the contrast with the Abbot-and-Costello duo’s bombastic delivery. “Venezuela is the victim of a campaign of misinformation, poor information, and sometimes disinformation,” Ortega began, occasionally consulting a souvenir notebook from the Museum of Modern Art. “We should be given the benefit of the doubt.” Doubt could only be a benefit for Chávez, a career military officer, who began his political career with an attempted coup in 1992 and spent some time in jail for the trouble. He was elected president in 1998 and remains in charge to this day, having surmounted a coup attempt, a recall vote, and a second election campaign. A democratic socialist who enacted massively popular programs to fight poverty and improve the living conditions of his people, Chávez has also passed constitutional reforms that centralized power and allowed



THE QUESTION: WHAT IS WASHINGTON TWITTERING?



“Callista got a wii from the cushmans and the lubbers for her birthday. A lot of bowling golf and tennis to come” —**Newt Gingrich**, former speaker of the House

“Took down tree and most outside lites xcept for lite on roof edge bc roof icy. Not safe up there” —**Sen. Chuck Grassley** (R-IA)

“Ordered a pizza more than an hour ago ... starving” —**Rep. Jason Chaffetz** (R-UT)

“Those naysayers bout twitter don’t get it. It’s all about communication.” —**Sen. Claire McCaskill** (D-MO)

him an 18-month period of rule by decree. In 2007, he pushed another referendum to eliminate presidential term limits and expand his powers in key areas; it was barely defeated and led to opposition protests in the streets. During that campaign, Chávez promised to rule until 2050—when he will be 96 years old. Despite all of this, the diplomatic rift between the U.S. and Venezuela is more rhetorical than substantive. Chávez used George W. Bush as an international foil, but the U.S. remains the largest consumer of Venezuela’s oil—the single economic factor that allows Chávez to continue the social programs that constitute his “Bolivarian revolution.” With oil prices dropping and the international economy in shambles, Chávez is more dependent than ever on U.S. purchases—not to mention that Barack Obama is actually admired in Latin America, where Bush was not. Chávez will need to carefully recalibrate his strategy abroad to maintain his popularity at home. This is, presumably, where Ortega and Torrealba come in: There’s no time like the present to make nice. At the breakfast meeting, when they said they wished Obama luck and hoped for further engagement between the countries, they (continued on page 9)

PARODY by T. A. Frank

“It’s not a pass-fail test.”

—Treasury Secretary Timothy Geithner on “stress tests” to be applied to major U.S. banks.

U.S. TREASURY DEPARTMENT STRESS TEST

Instructions: This test is designed to help you, so no one is trying to look over your shoulder. You can’t “pass” or “fail.” Just relax and answer as honestly as possible.

YOUR NAME AND EXECUTIVE TITLE: _____

NAME OF YOUR FINANCIAL INSTITUTION: _____

1. How are you holding up? Are you still finding time to do the things you enjoy, to exercise and get into hobbies? How about your family? _____

2. What can the federal government do to make you feel better? Would an additional capital infusion help? How much would you consider ideal? _____

3. How are those salary caps working out for you? Are you going to be OK, or are you sort of feeling “whoa, that’s not cool”? What sort of salary structure would you prefer? _____

4. Do you think if we paid off your creditors, things could go back to the way they used to be? ☐ Yes ☐ No ☐ Not sure, but you should try

5. Relax, and just try to give this your best guess. If a lot more of your bets went bad, you would be:
☐ Fine ☐ Fine, just needing a sort of temporary boost
☐ Fine, as long as you can cover a lot of that downside
☐ Not so cool but should be A-OK as long as we get all the help we need

6. Are you and your colleagues still able to keep your kids in a good school and “up to fashion” with their friends? _____

7. How long do think it’ll take for people to stop freaking out and start seeing that housing prices are way too low now? _____

8. If you get tired of working in finance, do you think you might be interested in working in government, maybe at Treasury or the Fed? Would it help if we raised the salary of officials at these departments to attract the brightest people on Wall Street? ☐ That’s funny ☐ Come on, we’re not desperate
☐ Well, maybe if you added bonuses to the base

9. Is flying commercial having any bad effect on executive morale? ☐ Yes ☐ No ☐ It’s too painful to talk about

T.A. Frank is an Irvine Fellow at the New America Foundation.

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(continued from page 7)
meant it. But they won't tip their own economic hand.

"Those of us who are inspired by the liberator ... [knew] the crisis of capitalism and the wild neo-liberalism, as John Paul II termed it, was going to explode," Ortega said. "In Venezuela, scholars had announced this and the government echoed the announcements."

They were more concerned, though, about having the world recognize the purity of their democracy. When an Associated Press reporter questioned the representatives on Chávez's slow concession to the defeat of his 2007 referendum, eventually prompted by opposition protests in the streets, Ortega snapped. "That's an outright lie!" he said before proceeding more calmly. "I'm not suggesting that *you* are lying."

Torrealba picked up the refrain. "The Bolivarian revolution, which is not the old Soviet Union revolution, is of a Venezuelan kind," he explained delicately. "We will abide by what the majority of Venezuelans think."

Ortega again: "In other times, proposals have been supported by fire arms, but we will use words and the law to support our process."

The Venezuelans seem insecure in their status as a major petro power, consorting with the Russians and

the Iranians while simultaneously paying lip service to more democratic ideals. With Chávez shopping around, this might be the time for the U.S. to extend the old hand of friendship. Leaders from both countries will meet at the Summit of the Americas at the end of April, giving them a chance to feel each other out. Careful engagement with Venezuela could split the country from other more dangerous rivals and improve our relations with other South American nations. It would also be an opportunity to push for more democracy in Venezuela—a country, like Cuba, where heated rhetoric hasn't led to any improvements in government or international relations.

Despite shifts in global leadership and the tanking economy, Chávez has declared he's here to stay. Just 10 days after the breakfast, Venezuela passed the pared-down referendum that eliminated term limits. "The world sees the glow of the people of Simón Bolívar!" Chávez proclaimed from the People's Balcony of Miraflores Palace after his referendum's success. "I will not fail the hope, the clamor, the love of the people. ... It is also a victory for those who voted No, even though they neither accept nor understand it."

Count me in that latter group.

—TIM FERNHOLZ

DIALOGUE: THE NEW NEW MEDIA

Why is everyone so excited about Twitter? A discussion in 140 characters or less

EZRA KLEIN: *Politico* has now run five stories on Twitter. And it's made appearances in *The New York Times*, the *Toronto Globe and Mail*, *The Guardian*, *The Spectator*, *Business Week* ...

TIM FERNHOLZ: Ana Marie Cox has 120,000 followers on Twitter. Newt Gingrich twitters. Missouri Sen. Claire McCaskill twitters. House Minority Leader John Boehner twitters.

EZRA: Right-minded people should ask: WTF?

TIM: WTF indeed. Being a curmudgeon and not having a Twitter account myself, I'm creeped out by seeing everyone's thoughts run on a reel. I don't know why people feel they need

TIM: ... to express opinions in 140-character blocks.

EZRA: Here's the thing: I feel about Twitter the way old media felt about blogs. It's too short, too fast, too hastily composed, and I'm no good at it.

TIM: Then we agree!

EZRA: But remember what happened to old media when they decided to ignore blogs?

TIM: They either hired already-successful bloggers or forced their staff to start blogging. I hope you're not forecasting a similar future for non-Twittering journos.

EZRA: That's why I am trying desperately to embrace Twitter. And Tim, I think you should, too.

TIM: Is it a coincidence that the most compelling Twitterers—McCaskill, Gingrich, Shaq—are also the least bloggy people? Ana Marie Cox excepted, obviously.

EZRA: But there are different types of Twitterers. Such as the "life of the rich and famous" Twitterer. Shaquille O'Neal, say.

TIM: Or in D.C., the "life of the elected and powerful" Twitterer.

EZRA: They're compelling because it's odd to see the mundane details of their existence.

TIM: How long will the mundane remain compelling? It's funny the first time you hear McCaskill talk about working out, but the fifth?

EZRA: Then there's the newsfeed Twitterer, like Mike Allen, and the snark Twitterer, like Ana Marie Cox. Do any of these add value to the public debate?

TIM: I'm not going to go all David Denby on you and say that Twitter is undermining our discourse. But I think it's a waste of time for people who could more valuably express ... their thoughts in a 300-word blog post or a 3,000-word feature article. Or even a book.

EZRA: The 300-word post is a relative of the 3,000-word article. The 140-character Twitter update is a relative of the one-line blog post. It's the Atrios of mediums.

TIM: But does that put us on the road to the Instapundit of mediums? Heh.

EZRA: Yep. But aren't we on the road to ruin anyway? Best to have company in the meantime.

TIM: If you invited me to a party with Ana Marie Cox, Newt Gingrich, Claire McCaskill, and Shaq ... I'd probably go.



BLUE EYE / FOTOLIA

Missed Connections

BY MARK SCHMITT

ONE OF THE TRICKS THAT CONSERVATIVES USED TO maintain control during the Bush era was to always vote on tax cuts in isolation, keeping choices about taxes completely separate from questions of spending and government services. Otherwise people would realize that

taxes actually paid for something and that cutting them had consequences.

Even in the Reagan years, when taxes were raised seven times, government made decisions about spending and revenues together. But starting in 2001, the first choice was always about whether or not to cut taxes, and inevitable spending cuts were pushed off into the future. In 2005, the Republicans even separated the federal budget into two bills, an early one made up of tax cuts and, months later, a package of spending cuts, so that no one in the debate about the first could point out that it forced the second. The budget deficits of the Bush era were a product of this Ponzi scheme.

Now, progressives have turned the tables. The economic crisis makes deficits not just acceptable but essential as economic stimulus. We can advocate new investment in neglected priorities such as education, clean energy, and health reform, while avoiding the annoying question, How are you going to pay for all that? Just as the Republicans were able to treat taxes in isolation, we have the privileged position—granted by unhappy accident rather than Ponzi tactics—of being able to spend without consequence.

But the separation of spending from taxation cannot last, either. Stimulus is, by definition, temporary. As President Barack Obama's first budget proposes, when the economic cycle turns, we will need to bring the deficit down to a historically manageable level. While econo-

mists have different views about what that level is, it is unquestionably below the level projected under current tax and spending policies.

Meanwhile, though, a third faction also treats spending in isolation but focuses on cutting it, particularly spending known as entitlements, which really means government programs whose cost is not determined by congressional appropriations: including Medicare, Medicaid, and Social Security. The warnings of an "entitlement crisis" raised by the Peter G. Peterson Foundation and various think tanks were put in their proper context at the White House Fiscal Responsibility Summit on Feb. 23, which affirmed that the long-term problems in Medicare and Medicaid could be solved most efficiently through comprehensive health reform. The entitlement crisis is really a health-care crisis.

But that fact doesn't make the problem go away. Former Comptroller General David Walker of the Peterson Foundation makes a political argument that cannot be dismissed lightly: The political process as we know it cannot be expected to make the necessary choices. "The 'regular order' in Congress is broken," Walker wrote in *USA Today* in February, "and achieving progress [on

the budget] is not possible on a piecemeal basis." Instead, he calls for a bipartisan "fiscal responsibility commission" to put forth a set of recommendations for cutting spending, raising taxes, and changing budget processes, which Congress would have to vote on up or down.

The theory here is that Democrats will never agree to restrain spending on entitlement programs, Republicans will never accept tax increases, and comprehensive health reform, which if done right could significantly reduce the long-term costs of Medicare and Medicaid, is always too difficult. Politicians will always prefer to treat their priorities in isolation, rather than connect them and make choices.

A fiscal responsibility commission would bring a blunt and anti-democratic weapon to bear on the American social contract. But the challenge to those who resist it is to show that the "regular order" is capable of these large, connected choices. It has been capable in the past. President Bill Clinton's 1993 budget connected everything: It raised taxes, cut spending on entitlements, and even cut Social Security for wealthier seniors, while improving and expanding successful programs. But it has been a long time.

Progressives have nothing to gain from evading the long-term fiscal crisis. Genuinely transformative economic policy requires connecting the investment we favor with the taxes that will eventually finance it and being willing to restructure the tax system entirely. To build a new social contract that includes universal health care, we will have to be willing to cut costs in the old one. As one of the opening speakers at

the Fiscal Responsibility Summit, Bob Greenstein of the Center on Budget and Policy Priorities, put it, "*everything* will have to be on the table." That table should remain within the normal, democratic process, but that can only happen if we are all willing to sit at it. **TAP**

*Bush kept
choices about
taxes separate
from questions
of services.
Progressives
have turned
the tables.*

All Work, No Pay

BY DANA GOLDSTEIN

WHEN BARACK AND MICHELLE OBAMA VISITED A Washington, D.C., public charter school on Feb. 3, they asked a class of second-graders what they wanted to be when they grew up. "First lady!" exclaimed one girl. Michelle Obama smiled. "It doesn't pay much," she responded.

In Michelle's last job, as a vice president of the University of Chicago hospitals, she earned \$316,000 annually, almost double her husband's salary as a U.S. senator. The job of first lady, on the other hand, has always paid exactly ... nothing. But perhaps because Michelle Obama is so much more visible than her predecessor, Laura Bush, pundits have been debating whether the Harvard-educated lawyer deserves to pull a paycheck for her full-time duties as a public face of the Obama administration.

In February, Michelle Obama embarked upon an unprecedented tour of federal agencies. She addressed tens of thousands of bureaucrats, thanking them for their service and discussing how her husband's economic-stimulus package would improve each department's work. Michelle, who had previously promised to serve primarily as the "mom in chief," was taking on an explicitly political role, pitching the stimulus legislation even as it remained stalemated in Congress. "The Department of Education is going to be at the forefront of many of the things that we have to do in this administration," Michelle said during a Feb. 2 visit. "With these investments that we hope to make through this stimulus package, we'll be able to prevent teacher layoffs and education cuts in hard-hit states."

The last time a first lady got so involved in a policy debate was in 1993, when Bill Clinton tapped Hillary Clin-

ton to lead his health-care-reform task force. We know how that turned out. Yet even after conservatives drummed Hillary off the Washington policy stage, she remained a potent force within her husband's administration. Hillary's official schedule from those eight years numbers 11,000 pages. And there is little doubt that Barack and Michelle Obama represent a similar "two for the price of one" deal.

"We view his election as a labor contract between not just Barack Obama and the country, but also between Michelle Obama and the country," writes feminist blogger Jaana Goodrich on her blog, Echidne of the Snakes. "Yet she is not getting paid, because she is really viewed as part and parcel of him."

That assumption is hopelessly retrograde. In the United States, 68 percent of married moms work outside the home, and Michelle Obama is no different. The job of first lady is so crucial that our one bachelor president, James Buchanan, appointed his niece to carry out the traditional duties. So considering the varied social and political services the first lady—or, one day, the first gentleman—renders to the United States, don't taxpayers owe her a salary?

Not so, argues historian Jonathan Zimmerman in the *San Francisco*

Chronicle. If we paid the first lady, Zimmerman writes, wouldn't the vice president's spouse expect a salary and maybe even the spouses of senators? After all, they too have numerous duties. During a recession, we must be more frugal. "Living 'only' on the president's \$400,000 salary, however, [the Obamas will] make eight times as much as the average American household," Zimmerman points out. "It's hard to see why they need a second income."

It is true that the Obamas don't need the money. But that's no reason to deny the president's partner compensation for her work. The salary for the first lady should be garnished from her husband's wages. Since we expect our presidents to be just one half of a 24/7 public-relations team, why not pay the president less—say \$300,000—and make out the remainder of the check to his wife?

It might sound radical, but I'm not the first person to suggest salary-sharing as a solution. In her 1989 classic, *Justice, Gender, and the Family*, political philosopher Susan Moller Okin goes further, arguing that in couples made up of one stay-at-home and one working spouse, employers should pay each partner exactly 50 percent of the working spouse's salary. "The household income is rightly shared, because in a

real sense jointly earned," Okin writes. "The wage-earning spouse is no more supporting the home-making and child-rearing spouse than the latter is supporting the former; the form of support each offers the family is simply different."

Such a system would protect women, giving them the financial resources necessary to exit unhappy or abusive relationships. And while Michelle Obama is in no need of extra cash, paying her for a difficult job sets the right example. "Women's work," even when invisible, is no less deserving of payment than men's. When the woman in question is the first lady—committing herself to public service—that is doubly true. **TAP**

*Don't
taxpayers owe
the first lady
a salary?*

Post-Consumer Prosperity

Finding new opportunities amid the economic wreckage

BY ROBERT H. FRANK

The economic bonfire fueled mostly by consumption in recent years has ended. As we have watched the familiar statistics plummet, with credit cards maxed out and home-equity loans a thing of the past, the reality has slowly become clear: We won't return to the economic world of 2007 anytime soon, if ever.

But would we want to? In the boosterish world of CNBC, life without an ever-rising Dow Jones average and year-to-year gains in holiday-sales figures would self-evidently forecast protracted misery. Yet matters are less hopeless than they seem. There is an easily attainable future in which we consume less than at the peak of the boom and yet still enjoy far better opportunities to construct a fulfilling life for ourselves.

Such optimism is possible if we look past traditional economic models, in which happiness depends primarily on absolute levels of consumption. These models assume, preposterously, that an investment banker remains just as satisfied with his twin-engine Cessna even after learning that his Nantucket summer neighbor commutes to the island in a Gulfstream G200. As all evidence suggests, however, satisfaction depends more on relative consumption than on absolute consumption. Many people, for example, recall being happy during their student days, even though they were living at a much lower material standard. If everyone consumes a little less for a while, most people will adapt pretty quickly.

More important, because much of our current consumption generates harmful side effects, we can gain considerable ground simply by changing the mix of things we consume. One useful step, for example, would be to slow the race for what economists call positional goods—the things people feel they need largely because others have them. Evidence suggests that across-the-board reductions in the growth of spending for such goods would cause little hardship.

One way to change spending patterns is through our tax code. In the next few years, we will need to revamp the tax system to pay not just for the ambitious plans of the current administration but also for increased debt resulting from the economic-stimulus program and the deficit spending of the previous administration. Taxes do more than pay for public services. Taxing any activity both generates revenue and discourages the activity. Our current system taxes mostly useful activities, such as savings and job creation. Perversely, it also encourages

us to build larger houses and drive oversize vehicles. Instead, we could switch to a system that taxes only activities that generate harmful side effects. That step alone would generate more than enough revenue to pay for President Barack Obama's ambitious proposals without requiring difficult sacrifices from anyone.

Another way to break our current consumption pattern is to get rid of wasteful spending. As economists are fond of saying, there is no free lunch—by which they mean that having more of one good thing requires making do with less of something else. An apparent exception occurs when existing arrangements are wasteful. In that case, we can have more of everything by eliminating waste.

But which waste? For decades, conservatives have been cutting taxes on the promise to eliminate superfluous public programs, often by mischaracterizing ones that provide good value—as when Gov. Bobby Jindal of Louisiana recently denounced “volcano monitoring.” Many conservatives are no doubt sincere in their belief that the lion's share of our economy's waste lies in the public sector. The truth, however, is the reverse. Not only is there considerably more waste in the private sector, but private waste is also far easier to eliminate than public waste.

One important form of private waste is caused by garden-variety market failures like congestion and pollution. This type of waste yields easily to simple disincentives like carbon taxes, gasoline taxes, and congestion fees.

A less widely recognized but far larger form of private waste stems from “positional arms races,” which are well illustrated by the familiar metaphor in which everyone stands up to get a better view, yet no one sees any better than before. It is the same with many forms of consumption. Hedge-fund managers need a 40,000-square-foot house and Gulfstream jet only because their peers have them. Evidence suggests that if top earners all spent less on such things, their lives would be no less fulfilling than before. And like the waste that stems from pollution and congestion, the waste caused by positional arms races can be curtailed sharply by a relatively simple change in tax policy.

INDIVIDUAL DEMANDS ARE heavily shaped by the social environment. As the economist Richard Layard has written, for example, “In a poor society a man proves to his wife that he loves her by giving her a rose, but in a rich society he must give



IT WOULD BE MUCH EASIER TO ACCEPT A SMALLER INCREASE IN FUTURE CONSUMPTION THAN AN ABSOLUTE REDUCTION IN CURRENT CONSUMPTION.

a dozen roses.” For the last three decades, virtually all income gains in the United States have gone to top earners. Recipients have spent most of their extra income on positional goods, things whose value depends heavily on how they compare with similar things bought by others. Like mutually offsetting weapons in a military arms race, consumption of this sort is largely wasteful. Many of the most spectacular increases in high-end consumption in recent years appear to have been driven almost entirely by positional forces. If people acted in tandem, resources could be diverted from positional consumption at little sacrifice.

Although there is scant evidence that middle-income families in America resent the spending of top earners, they are nonetheless affected by it in tangible ways. Additional spending by the rich shifts the frame of reference that defines what the near rich consider necessary or desirable, so they too spend more. In turn, this shifts the frame of reference for those just below the near rich, and so on, all the way down the income ladder. Such expenditure cascades help explain why the median new house built in the U.S. is now about 50 percent larger than its counterpart from 30 years ago, even though the median real wage has risen little since then.

Higher spending by middle-income families is driven less by a desire to keep up with the Joneses than by the simple fact that the ability to achieve important goals often depends on relative spending. Because of the link between housing prices and neighborhood school quality, for example, the median family would have to send its children to below-average schools if it failed to match the spending of its peers on housing. Instead, middle-income families have opted to save less, borrow more,

work longer hours, and commute longer distances than ever before, all in an effort to keep pace with escalating consumption standards.

Although additional outlays for positional consumption goods—such as houses beyond a certain size—don't accomplish much, they crowd out other forms of spending that would produce real improvements in the quality of life. If houses grew less rapidly, for example, we could invest in mass-transit systems that would yield shorter, less stressful commutes that would free up more time to spend with friends and family. Or we could support medical research and safety investments that would reduce premature death. The list goes on.

Wasteful positional arms races occur because people take too little account of the costs that certain types of consumption impose on others. When one job applicant spends more on an interview suit, for example, others must spend more as well, or else accept lower odds of getting a callback. Yet when all spend more, no one's odds of landing the job are any higher than before.

IF WE HAD PERFECT information, the ideal remedy for positional waste would be to tax different goods in proportion to the extent to which their use generates negative side effects. In practice, we lack the detailed information necessary to implement this remedy. But a steeply progressive tax on each family's total annual consumption would serve almost as well.

The amount a family consumes each year is simply the difference between what it earns and what it saves. Under a progressive consumption tax, people would report their income to the Internal Revenue Service as they do now and also their annual savings, much as they currently document contributions to 401(k) and other retirement accounts. The difference between these two amounts, less a large standard deduction—say, \$30,000 for a family of four—would be the family's taxable consumption. Rates would start low, perhaps only at 10 percent. In this illustration, a family that earned \$50,000 and saved \$5,000 would have a taxable consumption of \$15,000 and pay only \$1,500 in tax. By comparison, it would pay about twice that amount under the current income tax.

As taxable consumption rises, the tax rate on additional consumption would also rise. With a progressive income tax, marginal tax rates cannot rise too far without threatening incentives to save and invest. Under a progressive consumption tax, however, higher marginal tax rates actually strengthen those incentives.

To see why, consider a family that currently spends \$10 million a year and is debating whether to add a \$2 million wing to its mansion. If the top marginal tax rate on consumption were 100 percent, the project's cost (including tax) would be \$4 million. Alternatively, the family could scale back, building only a \$1 million addition. Then it would pay \$1 million in additional tax and could deposit \$2 million more than before in savings.

Federal revenue would rise by \$1 million, and the additional savings would stimulate investment, promoting growth.

Either way, the nation would come out ahead, and the wealthy family would have made no real sacrifice. Because the tax would induce most other wealthy families to scale back, it would lower the bar that defines an acceptable mansion for families in their circle. In effect, it would create real resources out of thin air.

Even more striking gains would result from the tax's indirect effect on the expenditure cascades that have made life more difficult for middle-income families. If the rich spent less on housing, gifts, and other things, the near rich would spend less as well, and so on, all the way down. All told, a progressive consumption tax could easily boost the nation's effective income by several trillion dollars a year.

Some may worry that tax incentives for reduced consumption might create or prolong an economic downturn. But it is total spending, not just consumption, that determines out-

this sort generally turn out to be much less burdensome than people expect. Europeans, for instance, have responded to gasoline taxes of more than \$2 per gallon by driving more fuel-efficient vehicles whose operating costs, including tax, are no higher than most Americans now pay. There is no evidence that Europeans are less happy with their cars than Americans are with theirs.

Conservatives complain that higher taxes make the economic pie smaller. But taxes on harmful activities have precisely the opposite effect. And when the economic pie grows larger, it's always possible for everyone to have a larger slice than before. By eliminating waste, these taxes free up resources for things we actually value.

WITH THE ECONOMY IN the midst of the deepest downturn since the Great Depression, now is not the time to impose these taxes on low- and middle-income households. Yet national renewal on the scale Obama has proposed will require major sources of

next pay raise into their 401(k) account. Employees with this option save dramatically more than those whose only option is to save more right away.

In the same spirit, Congress could enact Tax More Tomorrow legislation. That is, it could enact legislation today calling for new taxes to begin phasing in only after economic growth has resumed in earnest—for example, only after the unemployment rate has again fallen below a suitable target, perhaps 6 percent. Loss aversion would thus be sidestepped, because the typical family's income net of tax would still be higher each year than the year before. Consumers and producers can adapt to new taxes more efficiently if they are phased in gradually. Gasoline taxes, for example, could be increased by 10 cents per gallon for each of the 20 months after the target unemployment rate is reached.

The same unemployment rate could trigger launch of the progressive consumption tax. At first, we could collect income taxes as before and levy a progressive surtax only on consumption in

than the traditional temporary cut in income taxes. People would benefit from a temporary consumption-tax cut only if they spent more right away. In contrast, consumers who fear that they might lose their jobs in a recession are often reluctant to spend a temporary income-tax cut.

AS PRESIDENT OBAMA SAID in his Inaugural Address, the time has come to put away childish things. It is also time to discard childish ideas. It is not true, as we were urged to believe in recent years, that an invisible hand driven by greed serves up the greatest good for all. Even the gaudiest array of private-consumption goods, by itself, cannot sustain a flourishing society. We need a well-nourished public sphere as well. Nor can our government continue to spend hundreds of billions of dollars more each year than it takes in. Continued prosperity will require large, ongoing public investments in our long-neglected public sphere—investments that will have to be paid for with additional tax revenue.

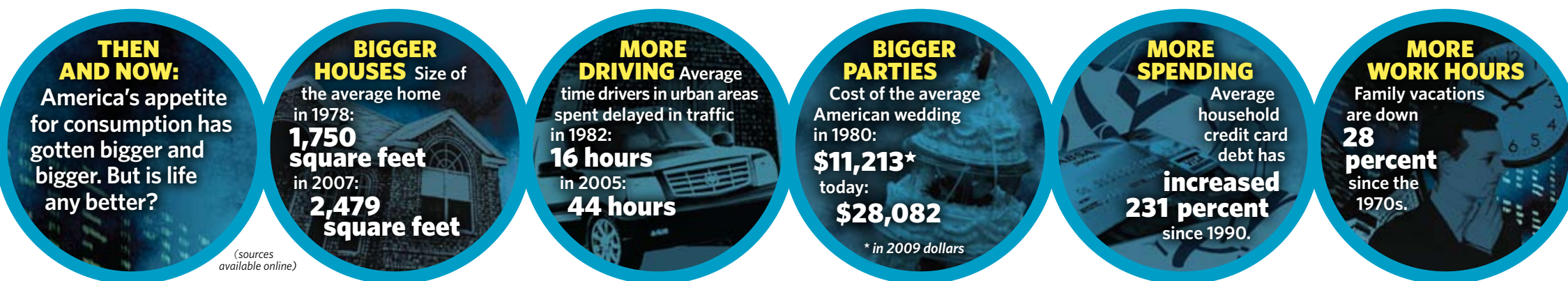
Although big sums are involved here, the task is manageable. If we take the relevant evidence at face value, there is nothing controversial about the claim that by slowing the rate of growth in spending on positional consumption and cutting back on activities that pollute the planet, we can free up more than enough resources to pay for Obama's ambitious agenda for national renewal. Nor is there any controversy about the policy instruments needed to bring about this change.

Pollution taxes have proven their effectiveness in the environmental domain. In addition to generating a lot of revenue, they provide powerful incentives for the private sector to undertake much of the required investment for successful transition to sustainable energy sources. And as the European experience has shown, people are able to adapt to these taxes in ways that leave their standard of living essentially undiminished.

Progressive consumption taxation has a similar pedigree. It has long been proposed, for example, by distinguished economists on both sides of the aisle. In a 1943 article published in the *American Economic Review*, Milton Friedman, the patron saint of free-market conservatism, proposed such a tax as by far the best way to pay for the war effort. In 1995, a progressive consumption tax was proposed in the Senate under the bipartisan sponsorship of Republican Pete Domenici and Democrat Sam Nunn. This tax is not a fringe idea. On the contrary, it is a veritable poster child for the kind of bipartisan policy wisdom the president has been actively seeking.

An opportunity to enact fundamental reform occurs only rarely. The current crisis has given us one, but the window for seizing it will remain open only briefly. If we act quickly, we can ensure a future in which Americans consume less, yet have far more. **TAP**

Robert H. Frank, a Cornell University economist, is a visiting faculty member at New York University's Stern School of Business. His next book, *The Economic Naturalist's Field Guide: Common Sense Principles for Troubled Times*, will be published in May.



put and employment. If a progressive consumption tax were phased in gradually when the economy was at full employment, its main effect would be to shift spending from consumption to investment, causing productivity and incomes to rise faster.

ACTIVITIES THAT CAUSE congestion and pollution are another major source of private-sector waste. Like the waste caused by positional arms races, private waste occurs because people take too little account of how their actions affect others. Fuel-use decisions, for instance, are driven primarily by concern about personal costs and benefits, and only secondarily, if at all, by concern about the costs that additional carbon emissions, smog, and congestion impose on others.

The simplest way to induce consumers to take such external costs into account is by taxing the activities in question. The cost of eliminating acid rain, for example, fell dramatically once government began charging for the right to emit sulfur oxides into the atmosphere.

Existing efforts to curtail environmental waste have barely scratched the surface. A carbon tax, in tandem with higher taxes on gasoline, could sharply curtail traffic jams, smog, suburban sprawl, greenhouse gases, and various other harmful effects associated with fossil fuel consumption. Taxes of

new revenue in the long run. We can't borrow money from the Chinese to pay for universal health care, expanded investment in education and infrastructure, increased scientific research, and more. Future taxes will clearly have to rise by more than suggested in the president's recent budget proposals. But raising taxes has always been the third rail of American politics. If we postpone decisions about how to raise more revenue until after the economy has regained its footing, we are likely to remain saddled with our current dysfunctional system.

Recent research in behavioral economics shows a way to structure tax increases to avoid reflexive opposition. Studies suggest that tax resistance is rooted in loss aversion—according to which a loss of any given magnitude causes much more pain than the pleasure from a gain of the same size. Adding any new tax right now would mean further cuts in consumption, which would trigger additional paroxysms of loss aversion. New taxes would be much easier to accept if they required not an absolute reduction in current consumption but rather only a smaller increase in future consumption.

Evidence for this claim comes from experience with Save More Tomorrow, a program devised by the economists Richard Thaler and Shlomo Benartzi. Under their program, employees of a company can commit now to divert some portion of their

excess of some high threshold—say, \$500,000 annually. The threshold could then be lowered gradually until the consumption tax completely replaced the income tax. Or, as the economist Larry Seidman has proposed, we could retain the current income tax permanently and supplement it with a progressive surtax levied only on extremely high levels of consumption. Since this surtax would apply to less than 1 percent of households, Seidman's approach would be administratively far simpler and hence likely to provoke less political resistance. In either form, such legislation would calm the bond market's fears of lingering deficits and deter speculative attacks on the dollar.

Adopting a progressive consumption tax that would take effect only when the economy again reached full employment would promote both short-term stimulus and long-run fiscal balance in a single stroke. Any family that was contemplating a large purchase in the coming years would have a powerful incentive to spend that money right away to avoid the future consumption levy. A strategically implemented progressive consumption tax is thus a conspicuous exception to the general rule that tax policy decisions confront us with painful tradeoffs between short- and long-term objectives.

Should a recession occur, a temporary cut in consumption taxes would actually provide a much more powerful stimulus

A Politics of National Sacrifice

Thirty years after Carter's "malaise speech," the language of humility and civic obligation resonates more powerfully than ever.

BY KEVIN MATTSON

On July 15, 1979, President Jimmy Carter gave the riskiest speech of his presidency. In what became known as the “malaise speech”—though the word “malaise” never appeared in it—the president riveted the nation. He delivered the speech amid rumors that he had gone crazy, his reputation plummeting in the face of an energy crisis and a breakdown in the country’s civic fabric. Ten days earlier, truckers and residents had rioted in usually quiet Levittown, Pennsylvania, setting bonfires to protest inflationary costs and limited supplies of fuel, made worse by recent machinations of OPEC.

Abroad at the time of the riot, Carter cut short his vacation and returned to the States. His staff scheduled a televised speech, but the president canceled it. Instead, he held a “domestic summit” at Camp David, where civic and political leaders gathered to discuss the state of America’s soul. Carter believed something more than the energy crisis was troubling the nation.

Two days after the summit ended, he delivered the “malaise speech.” The diagnosis he laid out was harsh: “Too many of us now tend to worship self-indulgence and consumption. Human identity is no longer defined by what one does, but by what one owns.” He decried how “two-thirds of our people do not even vote,” how there was a “growing disrespect for government,” and how “fragmentation and self-interest” prevented Americans from tackling the energy crisis. It was an indictment of America’s civic spirit. Carter used the speech to articulate a realist style of leadership, charged with the warnings about limits and humility. He shared responsibility by confessing his faults. He recognized the wounds left over from Watergate, Vietnam, and the assassinations of the 1960s. At one point, though he didn’t have to, he said, “This is not a message of happiness or reassurance, but it is the truth and it is a warning.”

You might have heard that the speech was a disaster. That it was all about Jimmy Carter, the “loser” president, shirking his responsibilities. Sean Wilentz writes in *The Age of Reagan*, “Carter appeared to be abdicating his role as leader and blaming the people themselves for their own afflictions.” This interpretation is repeated countless times in history textbooks.

But in fact, the speech *worked*. It prompted an overwhelmingly favorable response. Carter received a whopping 11 percent

rise in his poll numbers. The mail that poured into the White House testified that many citizens felt moved by the speech. One man wrote to Carter, “You are the first politician that [sic] has said the words that I have been thinking for years. Last month I purchased a moped to drive to work with. I plan to use it as much as possible, and by doing so I have cut my gas consumption by 75%.”

In the end, Jimmy Carter did blow the situation, but it wasn’t because of the speech itself. Rather, he blew the opportunity that the speech opened up for him. Just two days after July 15, Carter fired his Cabinet, signifying a governmental meltdown. The president’s poll numbers sank again as confusion and disarray took over. Carter could give a great speech, but there were two things he couldn’t manage: to govern well enough to make his language buoy him or to find a way to yoke the energy crisis with concrete civic re-engagement initiatives. Though Americans were inspired by the speech, many were still stumped as to what was expected of them. As *Time* magazine described it: “The President basked in the applause for a day and then set in motion his astounding purge, undoing much of the good he had done himself.”

Short-term losses, though, sometimes hide long-term opportunities. Today that language of civic sacrifice resonates even more powerfully, after eight years of conservative rule grounded in talk about the virtues of free markets and self-interest. Carter’s vision of humbled leadership and engaged citizenship also contrasts nicely with the hubris of George W. Bush. A vision of government and citizens working together to overcome a crisis might offer progressives a way to set realistic expectations about what government can and cannot do. It would seem that our current president has started to learn that lesson.

Looking back now, the malaise speech indicates a turning point in our history, one that helps define Barack Obama’s recent victory. The age of conservatism—from Reagan’s 1980 election up through the end of George W. Bush’s second term—has been framed not by Carter’s tones of humility but by celebratory nationalism. In fact, the conservative game plan was laid by Ronald Reagan’s direct retort to the malaise speech, made when announcing his candidacy against Carter. Reagan explained, “I find no national malaise.” Instead, America stood as a “shining city

on a hill,” a term he used persistently throughout the campaign.

From that moment, sacrifice and civic obligation faded from presidential rhetoric. You never heard Carter’s language from either of the Bushes—not even in the wake of September 11, when W. instead told Americans to go shopping. Or consider 2008 GOP vice-presidential nominee Sarah Palin, who suggested all was well in “real America”—it was only Washington that had problems. Such was the end-game of right-wing populism: *government bad, people good*.

Which is not to suggest that the *idea* of civic sacrifice entirely vanished from American life. Carter had touched something in the American psyche—the desire to think of oneself as a member of a national community. Still, the conservative road to victory marginalized such rhetoric with attacks on taxes and other civic debts. It is no surprise that decline in talk about civic sacrifice correlated with the decline of liberalism.

As governor of Arkansas in 1979, Bill Clinton attended Carter’s “domestic summit,” where he became fascinated with Carter’s quest to connect federal programs of energy conservation to citizen action on the ground. Clinton echoed this theme in his own presidential pronouncement of “big citizenship” and backed it up with his support for AmeriCorps and community-policing initiatives. The only catch was that Clinton simultaneously pronounced the death of “big government,” rhetoric that proved a better fit for the mood of the 1990s when libertarianism and free markets reigned supreme.

So what of the current Democrat in the White House? Obama entered office with a massive amount of support, with good cheer buoying him, as did Carter who followed on the heels of an administration still tainted by Watergate. Some looking back at this situation worry. Will Obama become, like Carter, a one-term president who can’t get the country out of its mire? Numerous political observers have predicted that high expectations will inevitably crash.

Obama has recognized the challenge. He has already shifted gears from his campaign of “hope” and “change.” In his Inaugural Address, he told Americans that storm clouds were gathering. These included terrorism, a sinking economy, and an environmental crisis. But something more, too, he claimed, echoing Carter: “Less measurable, but no less profound, is a sapping of confidence across our land; a nagging fear that America’s decline is inevitable, that the next generation must lower its sights.” He went on to say that the “challenges we face are real, they are serious and they are many. They will not be met easily or in a short span of time.” The language here was of realism and maturity—to be embraced not just by citizens but by the republic’s leaders.

Also consider Obama’s short and straightforward response after several of his Cabinet appointees—Tom Daschle, most notably—were forced to withdraw after revelations of tax evasion and connections to special interests. Obama accepted responsibility and simply stated, “I screwed up.” To dodge would have

been to go back on the premise that good leadership requires humility. Projecting his own recognition of human foibles will likely continue to be part of his model for governing.

Assessing his own performance honestly is about more than rhetoric. It’s the essence of good governing. For government to have legitimacy and be able to institute programs like an economic stimulus or health-care reform, a leader must not simply set realistic expectations but reconnect citizens with their government—that’s the lesson Carter learned. To set expectations, a leader must be chastened. Americans need “confidence,” Obama recognized, but the confidence should not take the form of triumphalism or seeing America as a city on a hill, blessed into a state of perpetual innocence.

Obama’s chief challenge at the moment is to do what Carter couldn’t—yoke the talk with concrete action. Instead of just



exhorting national sacrifice, he must craft policies that bridge the gap between the federal government and average citizens. Obama has already demanded a limit to executive pay in future stimulus payments. It would have been nice, as sensible critics like Steven Waldman argued, to see a major public-service initiative tied to the economic-stimulus legislation. But Obama nodded in that direction in his “state of the nation” address on Feb. 24. “I know that the price of tuition is higher than ever, which is

why if you are willing to volunteer in your neighborhood or give back to your community or serve your country, we will make sure that you can afford a higher education,” he said.

It’s not hard to imagine Obama revisiting Carter’s original hope of addressing the energy crisis by carving out a role for citizens with community programs dedicated to promoting individual conservation. Or a health-care reform bill that alleviates young doctors’ debt so they can serve low-income patients. Programs like these would also lay the groundwork for the eventual day of reckoning—the need for higher taxes to rescue the government from a mounting deficit.

Many historians have asked Obama to look to 1932 and Franklin D. Roosevelt’s “hundred days” for guidance. But 1979 is a lot closer to our own times, both literally and figuratively. We live in a country that is post-Vietnam, post-Watergate, and now post-Iraq. Distrust of government prevails, much more than it did in FDR’s day. Remembering Carter’s speech in this context should force progressives to recognize a missed opportunity—to set out a vision of civic sacrifice, chastened leadership, and realism that might get us through the “crisis of confidence” that clearly stands ahead. It could set the right tone for democratic governance and might, surprisingly enough, have political payoff. **TAP**

Kevin Mattson teaches history at Ohio University. He is the author of “What the Heck are you Up to, Mr. President?": Jimmy Carter, America’s “Malaise,” and the Speech That Should Have Changed the Country, due out this summer.

DALE G. YOUNG / AP IMAGES

The Education Wars

Teachers' unions and reform advocates are locked in a fight over the future of schools. Now the battle lines have started to blur.

BY DANA GOLDSTEIN

Like any successful negotiator, Randi Weingarten can sense when the time for compromise is nigh. On Nov. 17, after the Election Day dust had cleared, Weingarten, the president of both the American Federation of Teachers (AFT) and its New York City affiliate, the United Federation of Teachers, gave a major speech at the National Press Club in Washington, D.C. In attendance were a host of education-policy luminaries, including Weingarten's sometimes-foe Mayor Michael Bloomberg of New York City, Service Employees International Union President Andy Stern, National Education Association (NEA) President Dennis van Roekel, and Rep. George Miller of California.

"No issue should be off the table, provided it is good for children and fair for teachers," Weingarten vowed, referencing debates within the Democratic coalition over charter schools and performance pay for teachers—innovations that teachers' unions traditionally held at arm's length.

The first openly gay president of a major American labor union, Weingarten is small—both short and slight. But she speaks in the commanding, practiced tones of a unionist. In speeches, newspaper op-eds, and public appearances, Weingarten, once known as a guns-blazing New York power broker, has been trying to carve out a conciliatory role for herself in the national debate over education policy. It is a public-relations strategy clearly crafted for the Obama era: an effort to focus on common ground instead of long-simmering differences.

Notably absent from the audience for Weingarten's post-election speech was D.C. Schools Chancellor Michelle Rhee. In the summer of 2007, Rhee, a Teach For America alumna and founder of the anti-union New Teacher Project, took office and quickly implemented an agenda of school closings, teacher and principal firings, and a push toward merit pay. These actions met with their fair share of outrage from both parents and teachers and especially from the local teachers' union. At the time of Weingarten's speech, Rhee and the AFT-affiliated Washington Teachers' Union (WTU) were stalemated over a proposed new contract for teachers.

In 2009, the major fight on education policy isn't between Republicans and unions, or even Republicans and Democrats, but rather within the Democratic coalition. And infighting can be the most vicious kind. On one side are the traditional players

in education politics—the two major teachers' unions, the NEA and the AFT. On the other are union-skeptic education-policy wonks like Rhee, sometimes referred to as "reformers." (The unions dispute that terminology, arguing that they too support the improvement of American schools.) Union-lobbying efforts focus on greater funding for public schools and social services more generally and on opposition to the punishing mandates of the 2001 No Child Left Behind law. The self-designated "reformers," on the other hand, are often enthusiastic about NCLB and testing and are intent on pursuing new management policies, such as merit pay, public charter schools, and even private-school vouchers. They believe, broadly speaking, that free-market principles applied to public schools will improve student achievement, especially in low-income communities of color.

Weingarten's speech was an olive branch of sorts. In her remarks, she advocated for a controversial program in which master teachers help train novices and work with administrators to determine whether teachers should be granted tenure. She also came out in support of school-wide differentiated pay. While "merit pay" is a code word for evaluating teachers based upon their students' test scores—and is roundly rejected by both major teachers' unions—"differentiated pay" awards salary bonuses to every teacher when the school's overall academic performance improves, or offers extra pay for teaching hard-to-staff subjects, working in rough schools, or taking on responsibilities such as mentoring new teachers.

Weingarten didn't say anything that she hadn't said before. But by directly addressing her critics in such a public way, she managed to position herself as the face to watch in education policy—the marker of the moving center. (The AFT has already put its money where Weingarten's mouth is, launching a \$1 million Fund for Innovation to support and promote successful teacher and union-led school-reform efforts taking place at the local level.) NEA President Van Roekel, seen by many as left behind by AFT's reformist positioning, says he doesn't disagree with anything in Weingarten's speech. "I loved it," he swears. "We are going to work together."

For Joe Williams, executive director of Democrats for Education Reform, a New York-based lobbying group, the speech proved Weingarten is serious about accepting reformers as



The Moving Center: Randi Weingarten testifies during a House Ways and Means Committee hearing on economic recovery and job-creation options on Capitol Hill, October 29, 2008.

legitimate voices in the policy debate. "I think that she's got her finger up in the air and knows that the wind is blowing," Williams says. "She's going to end up getting credit for being involved in this larger grand bargain that's going to be made."

BUT NOT EVERYONE GREETED Weingarten's speech happily. Michelle Rhee was skeptical, considering the AFT's initial rejection of many of the tenets of her proposed contract. "It's easy to say everything is on the table," Rhee says. "I think that excites people because they say, good, we have a really reform-minded union leader. But when push comes to shove, are you willing to consider everything? And I haven't seen any indication of that. Yet."

Some of Weingarten's critics saw her as forced into a defensive crouch. "You know the saying, 'When you're being run out of town, get out in front? Make it look like a parade?' Well, that is what she's doing. And I give her credit for it," says Whitney Tilson, an investment manager and board member of Democrats for Education Reform. "The question is, would I, as a reformer, rather have just an old-school, pure status-quo, thuggish union leader who embraces no reform at all, but everybody knows it? Or would you rather have Randi, who will sort of embrace a little reform and talk the game? You get some things done with her. But she is very clever."

Weingarten, of course, rejects the characterization of her policy positions as highly calculated or inherently piecemeal. "I

was trying not to be opaque; I was trying to be really real," she says. Coily, she adopts some of the language of standardized-testing advocates. "By even seeking the opportunity to give that speech, I created a huge high-stakes test for myself."

Since Weingarten's ascendance to the AFT presidency last June, she has become the national face of the teachers' union movement as it finds itself increasingly challenged from within the Democratic coalition. The NEA, with 3.2 million members, is the larger of the national teachers' unions but is widely seen as insufficiently committed to closing the achievement gap between middle-class white kids and low-income children of color. The AFT is smaller, with 1.4 million members, but unlike the NEA, it has long been known for its interest in raising student achievement. Under Weingarten's leadership, the AFT's lobbying priorities include the expected agenda items, fighting for better benefits and working conditions for teachers and school support staff, and increasing state and federal funding for schools. But Weingarten has also advanced a vision of schools as community centers, offering children and their families the full panoply of health and nutrition services that social scientists say are necessary for low-income students to succeed academically. These ideas were outlined during election season by a group of policy experts who published a manifesto called "A Broader, Bolder Approach to Education."

The reformers have a competing set of principles, put forth by a coalition called the Education Equality Project. They believe the best way to improve the achievement of low-income, minority students is to shake up the way school districts are managed and the rules by which teachers are hired, fired, and paid. These donors, policy experts, and educators have formed an alliance with civil-rights activists and black politicians, among them the Rev. Al Sharpton. Democrats for Education Reform, their two-year-old lobbying group, is underwritten by hedge-fund millionaires and philanthropists such as Bill Gates and real-estate mogul Eli Broad. The reformers are more aligned with the corporate world than they are with traditional allies of public education, such as organized labor, colleges of education, and local community groups. Many of the leaders of this movement, such as Mayor Bloomberg and his schools chancellor, Joel Klein (a former corporate attorney and prosecutor), had little experience in education before diving head first into the debate.

That, of course, ruffles the feathers of the teachers' unions, which have been working on education policy for decades and represent the people who spend all day with children and the messy social problems they bring with them into the classroom. It isn't uncommon for both sides to accuse the other of not having kids' best interest at heart; the unions say the reformers are anti-worker ideologues; the reformers consider many teachers incompetent and their unions reactionary and protectionist.

"I'd fight in the sandbox just like they would and make the same kinds of sarcastic comments or disparaging comments about others," Weingarten says of her old self, the Randi who came up as a New York City labor lawyer. That Randi ended the political career of City Councilmember Eva Moskowitz, who held hearings critical of teacher work rules. Weingarten

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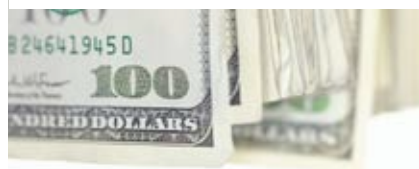
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still spends more than half her time in New York City. But the new, Beltway Randi says she is less angry.

“You may look heroic when you yell at people,” Weingarten says, “but if you actually find ways to really work together and reach across the aisle, that’s what I want.” Despite some skepticism from those who’ve known her the longest, that’s Weingarten’s story. She’s sticking to it.

THE INTRA-DEMOCRATIC Party education fight has played out most contentiously in Washington, D.C.—not on Capitol Hill but in the Other Washington, a historically corrupt, poverty-stricken city that is gentrifying in fits and starts. Once 70 percent black, D.C. is now 55 percent black with a growing Spanish-speaking population. More than one-third of the adult population is functionally illiterate, and 5 percent is infected with HIV. With an expanding white professional class, the city has some of the highest income inequality in the United States. The public school system, only 5 percent white, is seen as one of the most dysfunctional in the country.

Rhee is staking her reputation as a reform-minded chancellor on a contentious attempt to institute a merit-pay system. Her plan would be the most radical overhaul of teacher work rules since the rise of the teachers’ union movement to national prominence in the 1960s. Rhee’s contract, first proposed in September, would create two employment tracks for teachers. The “green” track would require teachers to give up tenure for one year in exchange for the possibility of large merit-pay bonuses financed by undisclosed philanthropies. Under the original “green” plan, teacher salaries supposedly could have reached \$130,000. Alternatively, teachers could choose the “red” track: retain tenure and stick to a traditional, seniority-based salary ladder with a lower ceiling.

The color-coded proposal left little doubt about Rhee’s intentions toward the Washington Teachers’ Union. Tenure was “stop”; the slow, reactionary path. Merit pay was the “go” option. Weingarten saw the proposal as intentionally shaming those teachers who would choose to retain tenure, long a cornerstone of the profession. “Remember the book *The Scarlet Letter*?” she asks. “A parent is going to know, oh, this is a red teacher. Oh, this is a green teacher. How do you create that kind of divisiveness in an environment where you need team work? It’s a recipe for disaster.”

In early February, the WTU presented Rhee’s administration with its counterproposals. According to a source involved with the negotiations, which were ongoing at press time, the union is comfortable with preserving some elements of Rhee’s performance-pay plan, although bonuses could be smaller than expected because of budgetary constraints. The union plan does away with the two-track system. Instead, seniority and educational attainment would continue to be factors in how teachers are paid but so would performance evaluations, which would encompass a number of elements. Rhee has appointed a working group of veteran teachers to create a new evaluation system and has said that under her plan, teachers and principals will work together to set the goals a teacher must reach to earn a bonus.

“The vast majority of teachers don’t teach tested grades or tested subject areas,” Rhee tells me. “So clearly we have to put together an evaluation process that takes into account some measure of student achievement. But there are multiple ways to measure the academic progress of kids.” How big a role students’ test scores would play in those evaluations—as well as other important personnel processes—remained unclear.

Complicating matters, the disagreements between Rhee and the union extend beyond the contract to one of the oldest debates in education: tracking. WTU’s president, George Parker, says D.C. teachers need training on how to tailor the same lesson to the varying aptitude levels of students in one classroom. Parker also says D.C. needs to pull students with special-education needs and severe behavioral problems out of regular classrooms. But Rhee has frequently advocated for mainstreaming and has said some funding for her merit-pay plan would come from trimming the district’s special-education budget.

For its part, the AFT urges a holistic approach to education policy. While the reformers believe staffing issues are the central challenge facing schools, the unions point to factors such as bad student behavior, poor facilities, unclear instructional goals, and inactive parents. These are two drastically different ways of looking at children and their world: One suggests students are shaped by an endless confluence of social factors and innate personal characteristics. The other posits that a single adult—a teacher—can make all the difference in a child’s life.

Education-policy experts often claim they adore everybody who works on progressive education issues, regardless of where they come down on this central question. “I cannot fathom why Joel [Klein] and Randi have so much trouble. I’m friends with both of them!” laughs one high-level Obama education adviser. The comment is typical. But in reality, get a few of these players across a negotiating table, and things can get nasty.

AT LEAST IN THEORY, charter schools should be a point of compromise in the education wars. Albert Shanker, the AFT’s (in)famous president from 1974 to 1997, was an early proponent of charter schools—which are smaller and more independent than other public schools—though he soured on the concept when he saw how conservatives used charters as an excuse to drain resources from traditional public schools. Today, the reformer camp views charters as the leaders in school improvement. Under Weingarten’s leadership, the United Federation of Teachers unsuccessfully lobbied to prevent New York state from lifting the cap on the number of charter schools allowed to open in a year. But the UFT also opened up two of its own public charter schools in New York City. Only 86 of the some 4,000 charter schools operating nationwide are unionized, but the AFT clearly accepts the sector’s existence and likely growth.

In practice, charter schools have inspired some of the bitterest fighting in education policy. The charter school movement

was founded, in part, on the idea that union work rules, such as tenure and limited-hour days, are antithetical to running a high-achieving school for low-income students. Teaching poor children—who arrive at school disadvantaged socially, nutritionally, and often cognitively—is so challenging, the thinking goes, that near super-human levels of commitment are required. Crack-of-dawn mornings. School days that last until 5 or 6 P.M. Saturday classes. If a teacher can’t cut it, he or she should be quickly terminated. After all, there is no time to waste in the life of a struggling child. Many charter administrators consider unions an anathema to this ideology, because they prevent principals from quickly removing ineffective teachers.

For supporters of charter schools, the Knowledge Is Power Program (KIPP) network represents the apogee of the movement.

Although test scores show KIPP schools are some of the best in the country at educating low-income, minority students, labor problems have plagued the 66-school network. A September 2008 study of five KIPP middle schools in the San Francisco Bay Area found that, as a group, they experienced much higher teacher turnover than the typical high-poverty urban school. In one school, 65 percent of the faculty left between one academic year and the next.

KIPP’s defenders argue that the concept of teaching as a lifetime career may be flawed. Research suggests that, especially in math and the sciences, teachers with greater academic and professional credentials in the subjects they teach are more effective at raising student test scores than those with more years in the classroom but less advanced knowledge of the relevant subject area. Yet at some KIPP schools, the teachers themselves are questioning this model. In January, teachers at the KIPP AMP

Academy in Crown Heights, Brooklyn, announced that they had collected enough signatures to organize their colleagues with the UFT. The reaction was intense. “The whole idea of running a KIPP academy along with a thousand page union contract is absurd,” wrote education blogger Jay P. Greene, a fellow at the conservative Manhattan Institute. “Half-days on Saturday? Not on your life. On call to help with homework? Are you kidding?”

After initially promising to work with the union at AMP Academy, KIPP’s management pulled back in February. AMP teachers say administrators made veiled threats about the outcome of joining a union and even called students into private meetings where they were asked to assess their teachers. “We’re trying to contour a contract in a way that’s tailored to the work of the charter,” Weingarten says. “Reflexively, they don’t want it. They want to be able to do what they want to do. It’s pretty antithetical to the notion of democracy.”

KIPP co-founder Dave Levin ignored two interview requests for this article. But Whitney Tilson, who also serves as vice president of the board of KIPP Academy in the Bronx, is frank about his distaste for teachers’ unions. “They have more than



MICHELLE RHEE IS STAKING HER REPUTATION AS A REFORMER ON HER ATTEMPT TO INSTITUTE MERIT PAY FOR TEACHERS.

MICHAEL TEMCHINE / NEWHOUSE / LANDOV

a billion dollars a year of combined budget,” Tilson says of the AFT and NEA. “Goodness knows how much of that is channeled into buying influence. There can’t be more than two dozen of us nationwide who are part of this guerilla group of David versus Goliath. It’s not even like we’re billionaires. Really the only thing that we have going for us is that we’re right. OK?”

Needless to say, statements like that one hardly breed compromise or cooperation. And while Tilson and his fellow education entrepreneurs may not be billionaires, many of them are, indeed, millionaires. They may not believe in tenure, but their arguments against job security will likely fall flat for many teachers earning \$35,000 a year, especially in the midst of a recession.

“When education reform is done without teachers’ input, it is doomed to failure,” Weingarten says. It is perhaps her most compelling argument for giving teachers’ unions a voice at the education-reform table. About 70 percent of the nation’s public-school teachers are unionized. With teachers at high-achieving charter schools turning toward unions for support—not just at AMP Academy but at other charter schools in New York City, Massachusetts, and California—the evidence suggests both teachers’ unions and entrepreneurial education reform are here to stay. The give and take between them will shape the future of education policy.

THE SERIES OF COMPROMISES in the New York City and Washington, D.C., school districts are providing the sketches of a workable model: expansion of the magnet school and public charter school sectors but also an increase in unionization of these schools. Unions are making peace with nontraditional pathways into teaching, both for recent college graduates and mid-career professionals. And unions are slowly accepting that many younger members prioritize higher pay and better training over long-term job security. Meanwhile, reformers are learning not to put the cart before the horse, as evidenced by Michelle Rhee’s late-in-the-game realization that few people will be comfortable with firing teachers until there is a consensus around how to assess their performance—and preferably one that recognizes standardized test scores are incomplete predictors of how much a student has learned.

The real inspiration for this consensus-building may be Barack Obama. He has accepted two basic truths about education policy: Teachers’ unions are powerful, and education reform is necessary for poor children. On the campaign trail in 2007, Obama was booed at a teachers’ union event for advocating merit pay. But as the election wore on, he learned to more carefully bridge the divide between the unions and education entrepreneurs. In July, he praised the AFT for its willingness to compromise. “You’ve shown that it is possible to find new ways to increase teacher pay that are developed with teachers, not imposed on them,” Obama said. He swore to support only performance-pay plans developed in cooperation with unions—a major victory for Weingarten. Yet in an October debate, he referred to Michelle

Rhee as Washington’s “wonderful new superintendent.”

Since assuming office, Obama has continued to play to both sides. To the delight of edu-wonks, the economic-stimulus package included \$100 billion for schools. The administration’s main goal was to stem local budget losses, but there are also funds to attract new teachers to high-need schools and to support education innovation at the local level. On Feb. 3, the president and Michelle Obama visited a D.C. public charter school—Obama’s first visit to any school as president. His education secretary, Arne Duncan, was seen as a compromise choice between unions and reformers. And Obama’s address to Congress on Feb. 24 called for performance pay and support for charter schools but also higher pay and job security for teachers. The calculus seemed directly lifted from Weingarten’s Press Club speech.

There may not yet be room for an Obama-style compromise on issues such as differentiated pay and charter schools, but national curriculum standards are an emerging point of consensus between teachers’ unions and reformers. In the post-NCLB era, some states sought to avoid the legislation’s punishments by creating easier and easier tests for students to pass. On Feb. 16, Weingarten wrote a *Washington Post* op-ed advocating for national standards. “Imagine the outrage if, say, the Pittsburgh Steelers had to move the ball the full 10 yards for a first down during the Super Bowl while the Arizona Cardinals had to go only seven,” she wrote. “Such a system would be unfair and preposterous. But there is little outrage over the uneven patchwork of academic standards for students in our 50 states and the District of Columbia.”

Most reformers agree. But even if the Democratic coalition can come together around an education agenda that includes national standards, it will still have to take the fight to conservatives. The Republican right was brow-beaten by President Bush into supporting NCLB in 2001 and is now vociferously opposed to the law, in large part because it took power away from local school districts. And should national standards come before Congress, curriculum issues such as evolution, sex education, and interpretations of American history could very well overtake any larger discussion of school improvement.

If that happens, Randi Weingarten will probably be down in the trenches, negotiating relentlessly with both reformers and Republicans. It is easy to see that she wants to be part of what Joe Williams calls “the grand bargain,” the crafting of the next big federal education-reform policy.

“You know, I’m probably a disruptor, by birth and by training,” Weingarten says, referring to Rep. George Miller’s term for reformers who want to work quickly to improve American schools. “I think those of us who’ve been successful in life have been ones who have actually built continuous, sustainable reform. Do you need to have people who shake things up? Of course you do. But there’s a difference between shaking up and demonizing. And between shaking up and destroying things. Change for change’s sake doesn’t work.” **TAP**

OBAMA HAS ACCEPTED TWO BASIC TRUTHS: TEACHERS’ UNIONS ARE POWERFUL, AND EDUCATION REFORM IS NECESSARY FOR POOR CHILDREN.

THE AMERICAN PROSPECT The Green Challenge

SPECIAL REPORT



**WILL CLEANER ENERGY PRODUCE
NEW INDUSTRIES AND GOOD JOBS
FOR AMERICANS?**

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THIS SPECIAL REPORT was made possible through the generous support of the Surdna Foundation and the Ford Foundation.

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Environmental impact estimates were made using the Environmental Defense Fund Paper Calculator.

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The Green Challenge

The green economy will get an \$80 billion boost from President Barack Obama's recovery package in the form of direct spending, loan guarantees, and tax incentives. A clean-energy economy offers not just savings in imported oil and reductions in carbon emissions necessary to save the planet but jobs and new industries—and not just jobs, good jobs. The \$80 billion is just a down payment on a conversion that will take far longer than two years. We will need trillions of dollars to maximize the potential of a clean-energy economy. And that outlay needs to be strategic. To succeed, we need to get beyond naive cheerleading and pursue tough questions. Will the promise be realized? In this special report, several articles explore the job potential of diverse green sectors such as renewable energy, public transportation, efficiency, and environmental cleanup. Another focus is on who will get the jobs and where they will be. My own article focuses on cities and states trying to develop renewable-energy industries.

Elsewhere in the report, Robert Pollin explores the potential gains of a green employment strategy and how to pay for it. Philip Mattera explains that without unionization and stipulations on the other public funds that wind- and solar-energy producers receive, not all of these green jobs will be good jobs. Jonathan Feldman makes the case for an industrial-policy initiative for producing the new subway and light-rail cars, street cars, and buses that will be added as a result of the \$8.4 billion dedicated to public transportation. Although the stimulus plan allocates about \$20 billion in tax incentives to catalyze the development of wind-, solar-, and other renewable-energy projects, George Sterzinger explains why projects on the ground need to be combined with a coherent manufacturing policy to capture domestic production of such technologies as wind turbines and solar panels and truly realize the job potential. And Brentin Mock examines the promise of green jobs as part of an environmental-justice agenda for urban minority populations.

These articles suggest that the green stimulus has to be part of a broader industrial policy—an idea that has been in general disrepute in the United States. Meanwhile, nations like Germany have policies that connect national and local initiatives, and aim to keep them at the forefront of emerging manufacturing technologies. As this special report will show, the United States actually does have industrial policies. In fact, it has many industrial policies for solar (and wind) energy. The problem is that they are fragmented, often competitive with each other, and do not add up to either a coherent national industry or energy policy. Jane Burgermeister provides some insights into what we can learn from Europe.

In sum, a green economic renaissance is not guaranteed unless we develop the right policies. The shift to a cleaner, greener economy is an opportunity for long-sought goals of jobs, justice, and revived manufacturing. Will we seize the moment?

—JOAN FITZGERALD

MORE ONLINE For additional material on the jobs and development potential of energy efficiency and retrofitting, see www.prospect.org/onlineextras



A National Priority: Barack Obama and Joe Biden tour the installation of solar panels at the Denver Museum of Nature and Science, February 17, 2009.

Cities on the Front Lines

Conversion to solar and wind energy is an environmental necessity and an industrial opportunity. Success will require a concerted national policy.

BY JOAN FITZGERALD

In the Obama era, the federal government will play a much more active role promoting green economic development. In the meantime, cities and states have been the front lines of innovation. However, even the most creative of them are producing relatively few local jobs. A good case in point is solar energy. The problems boil down to three. First, while solar-energy installation can produce hundreds of thousands of jobs nationally, there are far fewer solar-energy jobs in design and installation than in production—and most manufacturing jobs are already being outsourced globally. Second, despite a lot of creative local efforts, not every city can emerge as a center in the nation's solar-energy industry. Third, in the absence of federal standards subsidizing more rapid development of solar-energy technologies and mandates or incentives for their use, one state or city acting alone cannot bring solar conversion to scale. One can tell a similar story about wind power, conservation, the shift to non-polluting cars, and jobs doing retrofitting and environmental cleanup.

GERALD HERBERT / AP IMAGES

CONSIDER AUSTIN, TEXAS. Here, all the elements are seemingly in place to make the city a pioneer in the use of energy as a catalyst for economic development. They include strong and supportive political leadership, a friendly local city-owned utility, as well as citizen groups pressing for even more aggressive action. The University of Texas' flagship Austin campus has a clean-technology research program. A well-educated work force and existing base of high-tech industries make Austin attractive to green tech companies. Financial incentives for locally produced solar panels are in place. Even the local business community is on board, with the Chamber of Commerce leading a green economic-development initiative. Yet the Austin story also illustrates that even when they do everything right, cities are only one link in the policy chain needed to create jobs in renewable energy. When Austin's City Council passed a renewable-energy resolution in 1999 calling for Austin Energy (AE), the city-owned electric utility, to obtain 5 percent of its energy from renewable resources

by the end of 2004, Austin became one of a handful of cities with what's known as a renewable portfolio standard—a hard requirement that a set percentage of energy be purchased from renewable sources. Within just two years, AE was obtaining 6 percent of its power from wind farms in western Texas. After Mayor Will Wynn was elected in May 2003, Austin increased its renewable portfolio standard to 20 percent by 2020 (later raised to 30) and passed a companion measure requiring an increase in energy efficiency of 15 percent. And in December 2003, AE announced the ambitious goal of developing 15 megawatts of solar-energy generating capacity by 2007 and increasing to 100 megawatts by 2020. AE began offering the nation's highest solar-energy rebate, \$5 a watt, to encourage consumers to install solar panels. For a \$20,000, 3-kilowatt rooftop system, Austin Energy pays between 50 percent and 65 percent of capital costs. But despite the incentives, by mid-2005 AE had achieved less than 7 percent of the 2007 15-megawatt solar-

energy goal—mostly because of the high cost of solar energy. Then in 2008 AE announced plans to build a 30-megawatt solar-energy farm—the nation’s largest—on a 300-acre parcel of city-owned land in nearby Webberville. Once that farm comes on line by the end of 2010, AE will have achieved about 33 percent of the goal of 100 megawatts of solar energy by 2020. The delivered price will be just 16.5 cents per kilowatt—or about four times the cost of natural gas. Herein is a core problem. Capacity added now is expensive and may become outdated as thin-film and nanosolar technologies are commercialized.

Nonetheless, AE General Manager Roger Duncan explains that Austin Energy is making the investment to promote solar-energy expansion and to hasten its competitive development. “I have no doubt that in the future, solar will be the dominant source of energy in the world,” Duncan says. In addition, AE plans on adding close to 600 megawatts of wind energy to its current portfolio of 439 megawatts and 12 megawatts from landfill methane-gas toward the goal of achieving 30 percent of its total energy from renewables by 2020.

AE is also a leader in developing smart-grid technology to support wind and solar power. About half of the city’s meters have been replaced with smart meters with full deployment to all of Austin Energy’s 397,000 customers expected to be completed by the end of summer 2009. The two-way meters are capable of sending and receiving information to reward consumers who reduce energy use during peak demand periods. In addition, AE, the Environmental Defense Fund, the Austin Chamber of Commerce, the Austin Technology Incubator, and other local partners started the Pecan Street Project to, according to the project’s mission statement, “make the City of Austin America’s clean energy laboratory” and “to develop, test and implement the urban power system of the future.” The project will test prototypes for storing and distributing renewable energy and will be the nation’s first project of its type for testing smart-grid technologies.

Austin’s Clean Energy Incubator, launched in 2001 by the Austin Technology Incubator at the University of Texas and the U.S. Department of Energy’s National Renewable Energy Laboratory, provides space and technical assistance to clean-energy start-up companies. Among incubator companies’ products and services are energy-storage devices, evaluation of solar-energy system performance, and pollution- and runoff-reducing irrigation systems.

Another initiative is the Texas Clean Energy Park. With \$600,000 in start-up funding from the Texas Workforce Commission and additional support from Austin Energy and the University of Texas, it will start with a research park, which will be followed by a business park. In December 2007, HelioVolt chose the park over California, Pennsylvania, and New York locations as the site of a manufacturing facility to test and produce thin-film solar cells. The company was founded in 2001 in Texas but entertained competitive offers from the other states when it decided to build a new manufacturing facility. In addition to \$101 million in private venture-capital funding, HelioVolt received a 60 percent tax abatement for 10 years for locating in Austin and \$1 million from a state business-incentive fund. The company will invest \$80 million in the facility and pledges to create 150 jobs. Another coup was landing DT Solar, a New Jersey-based developer of large-scale solar-energy facilities that located its Southwest headquarters in Austin. The office will only create about 25 jobs but will have significant impact as it starts to develop solar-energy projects in the \$30 million to \$300 million range.

But even with all of these elements in place, Austin is not seeing the hoped-for development of a large-scale solar-energy industry. To date, HelioVolt is the only company in the Austin area producing solar panels. Most of the solar-energy employment growth has been in system design and installation. This is not trivial but only provides a couple of thousand jobs.

THE REALITY FOR AUSTIN is that cities and states are entering into a competitive frenzy to attract renewable-energy companies, and the price keeps going up. While nearly every locality can shift to renewable energy and gain installation jobs, every state and city cannot be a national production and design center. Texas and Austin were early movers in promoting solar energy. However, neighboring New Mexico and Colorado as well as other states have started aggressively courting



Green Showcase: Austin's new City Hall features photovoltaic glass trellises that supply 10 percent of the building's power.

renewable-energy companies with attractive incentives packages, and industry happily plays off one against another.

Solar Array, a company incubated in Austin with local subsidies, is looking to locate its first production facility to manufacture large-scale and industrial thin-film solar panels—the emerging next-generation technology. The company’s vice president for marketing, John Merritt, told me that New Mexico and New York are offering more attractive financial packages. The company is weighing these benefits as it seeks to build a plant that will initially employ about 250 workers.

If Solar Array locates elsewhere, it

won’t be the first renewable-energy company Austin has lost. After nine years in the Austin area, wind-farm developer Renewable Energy Systems Americas announced it was moving its headquarters to Colorado, where it will develop a large wind farm. RES took along 70 full-time employees and plans to add 70 more workers in Colorado. Company officials cite a more diverse economy and labor-market base as a key factor in the move along with Denver’s larger airport being served by more airlines.

The competition will only get stiffer as the federal stimulus package adds more incentives for renewable-energy development. Despite the disappointing results in solar-energy manufacturing, Mayor Wynn seeks to keep Austin competitive in several green technologies. He notes that Austin has consistently been cited by

Cities and states are in a competitive frenzy to attract renewable-energy companies, and the price keeps going up.

Forbes as one of the nation’s top metropolitan economies and consistently is in the top 10 of various green-city lists. He hopes to capitalize on the indirect benefits of being perceived as a national leader in the climate-change movement and to keep the momentum going with the city’s involvement in research on peak load management, renewables, water conservation, and other green technologies.

IF BUILDING A SOLAR-energy industry is difficult in even environmentally conscious places like Austin, one might conclude that it would be impossible in Toledo, Ohio. Yet the nation’s largest thin-film solar-panel manufacturer is located there, and the metropolitan area employs more than 6,000 people in 15 research and manufacturing businesses and institutions contributing to the solar-energy industry. And if Steve Weathers, director of the Regional Growth Partnership has his way, the area will gain 100 new high-tech and advanced-manufacturing start-ups by 2010.

The secret is Toledo’s capacity to build

on a traditional source of manufacturing strength—glass technology and manufacturing. With one-third of its manufacturing jobs lost since 2000, Toledo hopes to retool its glass industry to produce thin-film solar panels. Unlike current solar panels, thin-film solar technologies use non-silicon semiconductor materials, and unlike panels, are produced using a roll-to-roll manufacturing process that is similar to printing paper. Thin film is cheaper to produce but has lower efficiency. However, this is expected to change.

The transition from producing specialty glass to producing solar-energy technology is not as far-fetched as one might think. Solar panels—whether photovoltaic or thin-film—are primarily a glass product. The most advanced automobile glass uses the same thin-film technology to deposit microscopically thin layers

of materials between layers of glass—which, for example, allows a windshield to respond to changes in glare. There’s a wind connection too—70 percent of the raw material that makes up a wind turbine is made by Toledo-based Owens Corning, which also produces building-integrated solar-energy products.

Solar energy isn’t new to Toledo. The University of Toledo’s Wright Center for Photovoltaics Innovation and Commercialization has been around for 25 years. What’s new is an influx of funds from the state in 2007. Hoping to stem the tide of 200,000 manufacturing jobs lost since 2000, the Ohio Department of Development invested \$18.6 million in university solar-energy research centers, about half of which went to the University of Toledo. With an additional \$30 million in contributions from federal agencies and industrial partners, the university was able to dramatically advance its research and solar-energy-incubator activities. The center’s alternative-energy incubator has spun off seven solar-energy start-ups.

The jewel in the crown is First Solar,

which began as Glasstech Solar in 1984. Today, it is a national leader in the production of thin-film solar panels. All told, it took about \$150 million in public and private funding to develop the product and manufacturing process. In 2000, First Solar built a \$16 million factory outside of Toledo, the world’s largest solar-panel factory at the time. Since then, annual production has increased by 800 percent and revenues grew from \$6 million to more than \$500 million in 2007 while production costs fell from \$3 per watt to \$1.12 per watt.

The company already produces more panels than any other U.S. producer and announced an expansion in late 2008 that will add 134 employees to its work force of 700. Recently, First Solar invested \$25 million in SolarCity, a San Francisco-area design and installation company. First Solar will sell SolarCity 1.4 million solar panels that will be produced in Ohio. The expansion marks the company’s move into the residential market. The two companies had been discussing the deal for over a year, but it was finalized only when the renewal of a 30 percent federal tax credit, which was part of the federal financial-rescue package, made future growth enough of a reality for First Solar to seal the deal.

Like First Solar, many high-tech start-ups need business assistance, and the Regional Growth Partnership (RGP), a private nonprofit economic-development corporation, has stepped up to provide it in northwestern Ohio. Until recently, RGP followed an attraction, retention, and marketing-based approach to economic development typical of such organizations. It is now focused on innovation. The RGP offers business assistance to start-up companies seeking to develop their technology and obtain venture-capital funding for commercialization. The goal is to accelerate the time from conception to production. The partnership also started northwestern Ohio’s only venture-capital fund for high-tech and renewable-energy companies. In the last year and a half, RGP has launched 40 companies, with a total of 90 alternative-energy, advanced-manufacturing, and biotech companies in the pipeline.

One of its stunning success stories is a start-up called Xunlight. RGP director Weathers recalls University of Toledo physics professor Xunming Deng and his wife, Liwei Xu, walking into his office in 2000 with a scientific paper and an idea about producing flexible solar panels that could be integrated into roofing material. With RGP's assistance, the company wrote a business plan and a funding proposal that produced almost \$60 million in venture capital, a \$2 million loan from Lucas County, and almost \$1 million from the state's Third Frontier program to improve product yield in its manufacturing process.

Xunlight was founded in 2002, opened a facility in 2007, and will begin shipping product later this year. Eighty people are employed in research and production on the 25-megawatt pilot line. The goal is to tap European and U.S. markets, particularly in California, Ohio, and New Jersey.

Another success story is Solargystics, whose flexible thin-film cells can be integrated into building materials. As with Xunlight, RGP helped the company develop a business plan and proposal that yielded a \$1 million grant from the Third Frontier program. Researchers on the Solargystics team started out in Michigan but relocated to Toledo because of its university's research facilities and Ohio's Third Frontier program, says CEO Jeff Culver. As members of the university's Wright Center, company researchers have access to testing equipment that they couldn't procure on their own. Culver's plan is for Solargystics' highly efficient manufacturing process to bring production costs down to 50 cents per watt—half of what industry leader First Solar is doing.

In addition to Third Frontier, the Ohio Department of Development's Green Places Initiative supports local green energy and technology initiatives. A key program is the Advanced Energy Jobs Stimulus Fund, which is injecting \$150 million over 3 years into advanced-energy development. Of that, \$28 million a year for three years will provide support for advanced-energy projects in the early commercialization and later stages. The fund also provides incentives to companies that are retooling to add workers or

repurpose their equipment to supply the wind- and solar-energy market.

Like Austin, Toledo has all of the polices in place to succeed—a university research program, an economic-development organization focused on fostering start-ups, and several state government programs that provide various types of assistance. More than 6,000 jobs is a good start, but can Toledo continue to spin off companies, and will the ones they have stay? First Solar has already built plants in Malaysia and has one coming online in Germany. But RGP director Weathers doesn't see these as negative developments. In fact, Weathers predicts that Xunlight also will



Industry Leaders: Xunming Deng and his wife Liwei Xu display the flexible solar panel they developed.

open factories in Asia and Europe. Like longtime Toledo presence Owens Corning and newcomer First Solar, Weathers maintains that successful companies have to locate plants all over the world to compete in international markets. His plan is to create as many successful new companies as he can, knowing that some will stay, some will have a presence in Toledo while expanding elsewhere, and some will fail. The goal is to innovate and stay ahead of the game by assisting new start-ups.

How is it that a high-tech city like Austin has not been able to create a renewable-energy cluster while Toledo, an ailing manufacturing city, is making progress? Both are pursuing similar strategies.

The answer lies in the manufactur-

ing base. Toledo's glass specialists have been able to retool to meet the needs of thin-film solar-panel producers, while Austin's info-tech specialization evidently does not translate well into the skill sets needed in solar-energy production. Solar-energy companies will continue to locate production facilities in multiple countries. But places doing commercialization research will also land facilities. There is also plenty of opportunity for retooling manufacturing companies to supply renewable-energy companies, particularly in wind. But as George Sterzinger points out in this issue, even though we have the manufacturing capability, federal and state policies to develop renewable-energy projects will not translate into manufacturing jobs without explicit policy to invest in retooling.

In sum, this is a good-news/bad-news story. The good news is a good deal of local creativity as well as some successes in converting old-line industries into the advanced-energy industries of the 21st century. And some cities can rely on state support for research and commercialization. But for the opportunity to be maximized, the national government needs to become involved in a much more coherent way—by combining a clean-energy policy with an industrial policy. Our two leading industries, bio-tech and aerospace, are the direct result of major federal investment and standard setting.

At the same time, we should be realistic about the direct employment potential of renewable-energy production, which is not massive without the manufacturing component. And we need to assess how much public subsidy to provide to create these jobs. Still, becoming and remaining a world leader in clean-energy technology is an objective too important to pass up. If we remain in this game, it will lead to industrial possibilities that we can only begin to imagine. **TAP**

Joan Fitzgerald is a professor and the director of the Law, Policy, and Society Program at Northeastern University. Her new book, Emerald Cities: Linking Sustainability and Climate Change, will be published by Oxford University Press in fall 2009.

XUNLIGHT CORPORATION

Where the Jobs Are

Compared to spending on the military or oil industry, green investment can improve both job quantity and quality. But it will take a massive shift in resources.

BY ROBERT POLLIN

President Barack Obama's economic-stimulus program that passed Congress in February, despite being too small and too loaded with tax breaks for corporations, is among the most progressive pieces of economic legislation since the 1960s. The green-investment features alone stand as a major advance toward building a clean-energy economy. The total amount of clean-energy spending in the measure ranges between \$50 billion and \$140 billion, depending on how one counts the patchwork of direct public spending and private-sector incentives. These funds support such projects as retrofitting buildings, improving public transportation, and building "smart grid" electrical transmission systems, as well as promoting research, development, and commercialization of wind, solar, biomass, and other renewable-energy sources.

Doubly significant is that this legislation represents the first large-scale attempt to combine protection of the environment with development of a clean-energy economy, job creation, and economic opportunity. For a generation, the opposite was assumed: You could protect the environment, or you could promote economic growth and job creation, but not both.

We have known since World War II ended the Great Depression of the 1930s that large-scale government spending can generate millions of jobs and push the economy out of a slump. But of course, in the 1940s, expansion of military spending, not social or environmental programs, was the engine of job creation. Can we expect that a green-investment program today can have an effect comparable to military spending in the 1940s?

Another basic question is whether there will be a *net* job gain given that

many jobs will be lost as we reduce demand for oil, natural gas, and coal. And how will we pay for it? For the next two years, the Obama administration will borrow in the range of \$1 trillion to finance the stimulus program. But building a clean-energy economy is the work of a generation and takes only its first baby steps within the two-year Obama stimulus program. Over the longer haul, the project will have to be financed.

ALL SPENDING CREATES JOBS, BUT HOW MANY?

During the debate over the first stimulus program, Republicans claimed that the measure was merely a "spending" program. Sen. John McCain contended that certain types of government programs could stimulate job creation while others could not. McCain's overall argument was muddleheaded. But, amid his errors, he did nevertheless stumble on a significant point: Alternative kinds of spending will have different impacts both on job quality and quantity.

Let's start where McCain was entirely wrong. In fact, any and all forms of increased spending, public or private, will create more jobs, unless the economy is already operating at full employment. The reason military spending on World War II ended the 1930s Depression had nothing particularly to do with the circumstances of war or the nature of military spending per se. Millions of jobs were created simply because government began a deficit-spending program—as high as 29 percent of gross domestic product in one year—on a scale far beyond what had been politically feasible prior to the attack on Pearl Harbor. As of 1940, unemployment stood at nearly 15 percent, and private businesses were unwilling to risk their money

on new investments. The domestic-spending programs of the 1930s, including infrastructure programs such as the Tennessee Valley Authority as well as the Civilian Conservation Corps—the green-investment program of the time—were on the right track but were too small relative to the crisis.

A comparable situation holds today. The economic collapse caused by Wall Street speculators requires a massive injection of public spending as a counterforce. Private investors are hunkered down, protecting their remaining wealth by purchasing minimally risky U.S. Treasury bonds. In this situation, any form of government spending—health and education programs, traditional infrastructure, green investments, and yes, the military—will all generate jobs.

But McCain was right on one count: There are indeed large differences in the *relative* employment effects of different types of spending. However, McCain and fellow Republicans will not be happy to know what those large differences are. In fact, the green-investment agenda is a highly effective engine of job creation, much more so, for example, than two favored Republican forms of spending, military outlay and the oil industry.

Thus, for a given billion dollars of spending, the Obama green-investment program will generate about 17,000 jobs. Spending the same amount on the military will produce only 8,500 jobs, 50 percent less than green investments. Spending an additional \$1 billion on the oil industry—the "drill, baby, drill" agenda advanced by the McCain/Palin campaign—will produce only 4,500, about one-fourth the total created by green investments.

Why does investment spending devoted to the green economy create so many

more jobs than military or oil spending? Three factors are at play:

Relative labor intensity. This means more spending on people and less on machines, buildings, supplies, and energy. In weatherizing a home, the machinery and supplies needed are relatively low, while the demand for construction workers is high. Drilling for oil requires huge amounts of sophisticated machinery and relatively few people to operate that equipment. A military base employs lots of people. But it also involves heavy equipment purchases and consumes lots of energy.

Domestic production versus imports and spending abroad. With Obama's green-investment agenda, well over 90 percent of total spending will occur within the U.S. economy. Energy-efficiency measures, such as building retrofits, public transportation, and upgrading the electrical grid, can only occur on-site. Weatherization projects for buildings in North Dakota can only be done in North Dakota. The New York City subway system must be upgraded in New York. By contrast, the U.S. now imports about 50 percent of all the oil it consumes, and about 20 percent of total spending within the oil industry occurs abroad. The proportion of the military budget spent abroad is even higher.

Differences in pay levels. The average annual pay for employees associated with the green investment, including both wages and benefits, is about \$52,000. This is roughly 20 percent below the \$65,000 average for both the military and oil industries. This means that a given amount of spending for workers in the green-investment areas yields more job creation at lower average wages—stretching out a given sum of wage and benefit payments.

CAN GREEN INVESTMENTS MATCH UP ON JOB QUALITY?

So, is it better to generate more jobs, even if they are slightly lower-paying? Or should public outlay create fewer but better-paying jobs? Consider the range of factors. Even though green investment creates jobs with lower average wages, the total amount of money going into all workers' pockets is far higher, because so

many more jobs overall are being created. Thus, \$1 billion in spending would yield about \$750 million for workers engaged in the green-investment activities, \$560 million for those tied to military spending, and \$300 million for those connected to the oil industry. All told, the green-investment agenda still creates far more jobs paying over \$16 an hour than either the military or the oil industry does—75 percent more than the military and three times more than the oil industry.

And in the green economy, even many of the relatively low-paying jobs in construction and manufacturing offer decent job ladders for entry-level workers. There are fewer such prospects for advancement in even lower low-paying service-sector jobs, such as those of janitors, waiters, and health-care assistants.

As Brentin Mock discusses in this issue, we have to make sure that minorities have access to jobs in manufacturing and construction. The construction and other

neers, electricians, and those stationed for combat readiness.

Different parts of the green economy generate different combinations of job creation. Building retrofitting is dominated by the construction industry, with some economic activity in manufacturing and professional services. In wind- and solar-power generation, the largest proportion of new jobs created will be in manufacturing, with construction second. Wind and solar also draw heavily on independent professionals, including research and development personnel.

For a green investment program to provide a range of new employment opportunities comparable to what is made available through military spending and the oil industry, it will be necessary to promote the full array of clean-energy initiatives. The range of job opportunities available within the oil industry and military cannot be duplicated by any single clean-energy activity alone.

With Obama's green-investment agenda, well over 90 percent of total spending will occur within the U.S. economy.

unions need to fully open their apprenticeship programs and fight discriminatory barriers throughout the industry, building on commitments some unions have been advancing now for decades.

Beyond the issues tied specifically to the construction industry, the transition from a fossil-fuel economy to a clean-energy economy will entail shifts out of some sectors and an expansion of others. What will be the effect on employment?

In the oil industry, employment is spread fairly evenly across a range of sectors, including extraction, manufacturing, utilities, transport, and administrative and professional occupations, such as lawyers, accountants, and technical/scientific personnel. In terms of military spending, about half of the jobs created are with the government itself, but the range of opportunities provided within the military is fairly wide, including a full range of transportation-related occupations, scientists and engi-

WHERE TO FIND THE MONEY?

Constructing a clean-energy economy will require spending trillions of dollars over the next 20 years. If a green-investment program were in the range of \$150 billion per year (about 1 percent of U.S. GDP or equal to the 2008 level of spending on the wars in Iraq and Afghanistan), we would create about 2.5 million new jobs.

We often think of such a large-scale economic policy initiative as being funded by the federal government alone. In fact, a wide range of public and private sources of funds will be needed to build a clean-energy economy. Most of the major energy-efficiency measures—retrofitting the existing building stock, expanding public-transportation systems, and upgrading the electrical grid—will need to be led by state and local government, with the federal government mainly providing financing. But even with all the public outlay, both regulations and positive financial incentives are needed for private busi-

nesses and homeowners to commit their money into green investments.

Public Funding. Deficit spending to finance the green-investment agenda is entirely warranted now. But over the long term, public funds for clean-energy investments require increased revenues or shifted spending priorities, of around \$150 billion per year. There are three possible revenue sources: increased general taxation through progressive tax reform; dedicated revenues from green taxes; and a peace dividend. Each has its possibilities and limitations.

After the worst of the recession is over, we will need a large tax increase

cap-and-trade requirements force these industries to contract. The money left over to finance green development might be in the range of \$50 billion.

The \$600 billion military budget is an obvious pot to raid. However, even if there were, say, a \$150 billion peace dividend from ending the Iraq War, there would be other claimants on these funds, including universal national health insurance, education, poverty reduction, and non-energy infrastructure projects, including major upgrades of our stock of bridges and levees. So even with support from a general tax increase, public funds cannot do the job alone.



Labor Intensive: A worker installs solar cells on the roof of a house in Rocklin, California.

tilted to the top, to finance all of the administration's long-term investment initiatives, including green ones. One important source of funds will be green taxation itself. The government would raise money through a cap-and-trade system that sets limits on total carbon emissions, by selling the permits at auction for the right to produce oil, natural gas, or coal. This could raise serious new revenue, ranging from \$75 billion to \$200 billion per year.

However, cap-and-trade will also raise industry costs, which will raise prices. There will be legitimate pressures to rebate some, if not most, of these increased costs to consumers. People working in the oil, gas, and coal industries would also have fair claims to significant adjustment support, after

Private Funding. Government has long mobilized private credit markets to support social purposes. For example, broad middle- and working-class homeownership became a reality during the New Deal, after the U.S. government created a highly subsidized and regulated market for home mortgages. Our present-day Wall Street high rollers wrecked this system. But if we follow the principles of the old housing-finance model, a combination of regulations and subsidies—sticks and carrots—we can induce private investors to become the major funding source for the clean-energy transition. The sticks would be asset-based reserve requirements, while the carrots would be loan guarantees and tax incentives.

With reserve requirements, the government establishes that banks increase

their cash holdings as a cushion against losses. This same regulatory tool could also prod financial institutions to channel credit to green investments. Regulations could stipulate that, say, at least 5 percent of financial institutions' loan portfolios be channeled to green-investment projects. Financial institutions that failed to reach this 5 percent quota would then be required to match the shortfall with cash reserves. Government loan guarantees are already fully integrated into the Obama stimulus program as a means of encouraging green investments by private businesses. The government's expectation is that, over two years, \$10 billion in government support could leverage as much as \$100 billion in private green investments.

The other method for leveraging up public funds is through tax incentives and matching grants that would go directly to private investors. These measures have already had a significant impact on a small scale, both in encouraging and discouraging investors, as they were sporadically offered and withdrawn under the Bush administration. Thus, additions to wind-power capacity fell between 2003 and 2004 to 389 megawatts from 1,687 megawatts due to a lapse in tax credits, but when the tax credits were renewed in 2005, wind-power capacity then rose sharply, to 2,431 megawatts. The fact that the Obama program is offering these incentives on a longer-term basis should dramatically expand their effectiveness.

With a goal of an annual green-energy investment program of about \$150 billion, we could reasonably get about \$50 billion directly from government and the other \$100 billion from private investments. Through the channeling of a steady large-scale flow of investment funds into energy efficiency and renewable-energy sources, the transformation of the United States into a clean-energy economy can also be a major source of new industries and good jobs. **TAP**

Robert Pollin is a professor of economics and co-director of the Political Economy Research Institute at the University of Massachusetts-Amherst.

A Green Industrial Economy

The opportunity for good jobs is there—but unionization and government contracting standards will make a huge difference.

BY PHILIP MATTERA

In 2007 the central Iowa town of Newton mourned the closing of the Maytag appliance factory that had been the economic anchor of the community for more than a century. Only a month later, local officials happily announced that TPI Composites, a producer of blades for giant wind-energy turbines, had chosen Newton as the location for a new 500-worker production facility. The announcement was important enough for Gov. Chet Culver to make an appearance and declare: “Today is a new day and a hopeful day for Newton.” Defying the odds, the town was reversing the deindustrialization that has devastated so many U.S. communities.

The TPI Composites plant is not an isolated instance. About half a dozen manufacturing operations serving wind-energy generators have opened in Iowa during the past few years. The firms involved range from young companies such as Clipper Windpower to a unit of the German industrial powerhouse Siemens. And the Iowa cluster is not an anomaly. Across the country, dozens of wind- and solar-energy-equipment plants are now in operation or have been announced. They represent several billion dollars of private-sector investment and are creating thousands of jobs.

Some of these operations are modest in size, but others are intended to be major industrial installations. Opti-Solar, for instance, has opened a massive factory at the former McClellan Air Force Base near Sacramento, which the company hopes will eventually employ 1,000 people. The Danish wind-energy giant Vestas has been opening plants in Colorado that it expects will together have a work force of more than 2,000.

LM Glasfiber, another Danish company, has become the largest private employer in Grand Forks, North Dakota, through its 900-worker wind-blade plant.

Many proponents of green jobs have been waiting for the arrival of major federal expenditures. That spending is definitely necessary, but the private sector has already begun to create a substantial number of clean-energy manufacturing jobs to supply wind- and solar-power-generating companies. Some of these projects have experienced layoffs or delays in reaching full capacity with the onset of the recession, but they still represent an important new development in the U.S. economy.

IT IS ENCOURAGING that this burst of green employment is occurring in the manufacturing sector, which was the traditional path to a middle-class standard of living for those without a four-year college degree. Even after years of industrial retrenchment, the typical production worker in the durable-goods sector earns a respectable \$19 an hour, almost 50 percent higher than the average retail worker.

Unfortunately, some of the production jobs being created in the new wind- and solar-energy-equipment plants have pay levels below the national manufacturing average. Research by Good Jobs First, the organization where I work, found that quite a few of those jobs are not even paying enough for a full-time, year-round worker to reach a basic family budget for a single parent with one child, according to area-specific estimates of family income needs prepared by the Economic Policy Institute. Almost none of them pay enough to achieve the basic budget for a

family with two parents and two children.

Another concern relating to the viability of the new wind- and solar-energy-manufacturing jobs in the United States is that some of the same employers are simultaneously opening facilities in low-wage havens abroad. For example, TPI Composites is producing wind blades for the U.S. market not just in Iowa but also in Mexico and China—defying the assumption that the blades are too large to ship long distances. First Solar, which sited a plant in Perrysburg, Ohio, has a factory 10 times larger in Malaysia. Some U.S. firms in the sector offshore *all* their production. For instance, a California-based solar-panel company called Sun-Power does most of its manufacturing in the Philippines; the rest is performed by a third-party subcontractor in China.

A major reason for the subpar conditions in some wind- and solar-energy-manufacturing plants is that the sector is largely not unionized. And that is not a result of a lack of interest in unions on the part of workers. In at least two instances, employees at green plants tried to organize and were thwarted by management.

IN EARLY 2008, some workers at the Clipper Windpower turbine plant in Cedar Rapids, Iowa, contacted the International Brotherhood of Electrical Workers out of frustration over dangerous conditions on the job, long reimbursement delays on health-insurance claims, and other issues. According to IBEW organizer Brian Heins, more than 70 percent of the workers ended up signing authorization cards. But then the company brought in a union-busting consultant and launched an intensive anti-union campaign. The same thing happened when workers at



the DMI Industries wind-tower plant in West Fargo, North Dakota, sought to gain collective-bargaining rights through the Teamsters. In both cases, the workers were worn down to the point that they voted against unionization.

These mediocre pay rates, offshoring threats, and failed organizing drives demonstrate that green jobs are just as susceptible to the pernicious tendencies of the U.S. labor market as are jobs in sectors that are not addressing the climate crisis. The fact that an employer is part of the clean-energy transformation of the economy does not necessarily mean it has enlightened labor policies.

This is not to say that green manufacturing jobs are doomed to mediocrity. The research by Good Jobs First identified some promising situations, but these did not come about solely through the benevolence of individual employers. First, there are a few wind- and solar-energy-manufacturing facilities where workers have achieved union representation. The most celebrated examples are the plants

Signs Of Hope: Workers at the TPI Composites plant, a maker of wind turbine blades, which has replaced Maytag as an employer in Newton, Iowa

opened in Pennsylvania by the Spanish wind-energy leader Gamesa.

After its workers launched an organizing drive with the United Steelworkers, Gamesa voluntarily recognized the union and negotiated a contract that now provides starting wages from \$13 to \$20 an hour plus skills-based supplements. Union officials say they are also satisfied with the benefits they have negotiated and with management's overall posture toward the union. “We voluntarily recognized the Steelworkers union,” says Julius Steiner, CEO of Gamesa Energy USA. “There is no downside.

There simply isn't.” Last year, Gamesa was honored by American Rights at Work for its cooperative labor policies.

Unionization is not the only route to improvements in working conditions

The fact that an employer is part of the clean-energy transformation does not mean it has enlightened labor policies.

at green manufacturing firms. Another avenue is created by the fact that these companies are heavily dependent on government assistance. The Good Jobs First research found that most of the wind- and solar-energy-equipment plants are receiving substantial subsidies from state and local economic-development agencies. For example:

■ A United Solar Ovonic plant being built in Battle Creek, Michigan, is receiving state and local incentives amounting to about \$97 million. Most of it derives from 15 years of generous tax

benefits made possible when the facility was given Renaissance Zone status (Michigan's version of enterprise zones).

■ Several solar-energy-equipment firms in Oregon—including Solaicx, Sanyo Solar, and Solar World—are together receiving more than \$75 million in business energy-tax credits from the state.

■ Evergreen Solar received \$44 million in subsidies for the plant it opened in Devens, Massachusetts. The package included grants, low-interest loans, and a below-market lease on state-owned land.

■ The state of Arkansas and the city of Little Rock rolled out the red carpet for the LM Glasfiber wind-blade plant that opened last October. In addition to more than \$33 million in direct subsidies, the company was freed from having to raise capital to build the plant, which is instead being financed by industrial-revenue bonds issued by the city. Since Little Rock will technically own the plant, the company will not have to pay property taxes. Instead, it will make a much smaller payment in lieu of taxes. Under legislation enacted by the state, LM Glasfiber will not have to pay state corporate income taxes for 27 years if it meets certain hiring criteria.

One can debate in fiscal terms whether it makes sense for state and local governments to provide such generous subsidies to these companies. In the employment

context, however, the existence of this taxpayer assistance presents an opportunity to do something about job quality.

IN RECENT YEARS, more and more state and local governments have sought to promote the creation of higher-quality jobs by imposing wage and sometimes benefit requirements on the companies receiving subsidies such as corporate income-tax credits, property tax abatements, low-cost financing and infrastructure assistance. These strings are a way of getting the maximum boost to

MARK KEGANS / THE NEW YORK TIMES / REDUX

the local economy from the investment of taxpayer funds in private development.

In a report published in 2003, Good Jobs First found that job-quality standards were in effect for various subsidy programs in 89 jurisdictions, including 43 states, 41 cities, and five counties. Overall, some 116 state subsidy programs were found to contain their own standards, while city and county standards are in many cases linked to living-wage laws applied to government contractors and less frequently to subsidy recipients. The best wage standards are the ones that assure workers will be paid enough to meet basic needs and attain self-sufficiency. Though there are still wide variations in their form, job-quality standards are becoming a widely accepted best practice in the economic-development field.

Some of the highest wage rates found at wind- and solar-energy-manufacturing plants are in places where the company received subsidies with job-quality standards attached. For example, Sanyo Solar's plant in Salem, Oregon, is paying workers about \$45,000 a year, which is based on a requirement in its subsidy deal mandating rates at least one and a half times the average manufacturing wage in the area. The company is also obliged to spend an average of at least \$50,000 per worker on wages and benefits combined.

The mere existence of a job-quality standard is no guarantee of a high-quality job. In some instances, the required rate may be set too low. For example, the wage requirement imposed on the Solaicx solar-energy plant in Portland, Oregon, was only 150 percent of the state minimum wage, or \$12.60 an hour. The TPI Composites plant in Iowa was required to pay only \$13.47 an hour, a rate well below the \$19 an hour that workers at the closed Maytag plant had been receiving.

Even in cases where the official requirement is reasonably high, officials may face demands from companies for a waiver. After United Solar Ovonic got nearly \$100 million in subsidies for the plant in Battle Creek, the company brazenly demanded a waiver from the city's wage requirement. At a hearing on the issue, a retired union worker scolded company officials: "The city has bent

over backwards to give you breaks. When is enough, enough?" United Solar was not swayed. It threatened to locate the plant elsewhere unless it got its way, so local officials caved. The company is now paying \$14 an hour, which represents just 70 percent of what it takes for a full-time, year-round worker in the area to earn the equivalent of a basic budget for a family of four.

Still, when job-quality standards are set high enough and are rigorously applied, they can be a great boon for workers at companies receiving public subsidies. To be fully effective, however, the standards also have to come with adequate means of enforcement. In the subsidy field, that means the inclusion of "clawbacks"—provisions under which officials can demand repayment of the subsidies if the company does not live up to its obligations. It is also helpful to

adopt subsidy disclosure requirements, so that journalists, watchdog groups, and the general public can track what level of aid companies have received and what standards they are supposed to meet.

With enactment of the Obama recovery bill, with \$38 billion to subsidize development of renewable energy and energy efficiency, government will gain even more leverage to produce good green jobs—if government uses it. If employers are left to their own devices, some of the new green manufacturing jobs will remain substandard. It is only through more aggressive union organizing—ideally done on a more level playing field—and government intervention in the form of job-quality standards that green jobs can become truly good jobs. **TAP**

Philip Mattera is the research director of Good Jobs First in Washington, D.C.

From Mass Transit to New Manufacturing

With the right policies in place, an expansion of public transportation could help reindustrialize the United States.

BY JONATHAN MICHAEL FELDMAN

A new industrial-policy initiative for domestic production of mass-transit products could help the United States overcome multiple economic challenges. It could provide high-wage jobs, generate tax revenue, expand exports, and reduce trade deficits. This mass-transit-production strategy requires a new kind of industrial and planning policy to overcome the limits of traditional public works. It's not enough to lay more tracks and upgrade rail facilities. The government has to support domestic production of trains, signals, and related transit hardware and software.

According to the Institute for Supply Management, U.S. manufacturing activity recently fell to its lowest level in 28 years. Manufacturing has also suffered

across the globe. But overseas the downturn reflects mainly the recession, while in the U.S. there is a long-term manufacturing decline. Traditional public-works outlays alone won't restore American manufacturing—but they could supply new demand if we had industrial policies in place.

Mass transit could be the incubator for an industrial renaissance, based on new kinds of producers and processes. If public investment is connected to developing new industries, then government spending will not "crowd out" private investment. On the contrary, the public outlay could provide demand for new private investments. But when the market and existing firms fail to make the necessary investments, the government must fill the void.

There are important niche markets in subways (the primary focus of this article), high-speed rail, local commuter rail, and the growing light-rail industry. Consultants from the firm IBISWorld, a leading business consulting firm, calculate that today, about 45 percent of revenue within the U.S. train, subway, and transit-car manufacturing sector is tied to new and rebuilt locomotives and parts, and 27 percent of revenue is tied to street, subway, and transit cars.

Of all the non-defense products that government purchases, mass-transit goods are among the most technically advanced, and they rely heavily on manufacturing. Mass transit conserves energy and is one of the least polluting forms of travel. Government purchasing



power, combined with heavy unionization in the transit service and producer sectors, also makes this sector amenable to public planning for good social outcomes. Government can support local production, particularly in highly unionized and population centers. The density of cities facilitates both union organizing and mass transit.

The economic and political circumstances and growing local public support suggest the time is ripe for such a national initiative. President Barack Obama has supported mass-transit products as part of his economic-recovery program. The American Recovery and Reinvestment Act passed by Congress in February will lead to \$8.4 billion in public-transportation investments. In the recent state and local elections, voters supported some 23 mass-transit initiatives worth about \$75 billion. This included \$18 billion to expand Seattle-area mass-transit service and \$10 billion

in bonds to begin a high-speed-rail network in California. These public investments directly translate into privately organized jobs and export potential.

The scale of the mass-transit sector can be seen in the Metropolitan Transit Authority's (MTA) budget plans. This New York regional authority is the giant among U.S. transit agencies. The MTA board approved a capital program for 2005 to 2009 worth \$23.7 billion. The MTA plan includes about \$2.2 billion for subway cars, about \$928 million for buses, and \$385 million for cars for the Long Island Rail Road commuter line. Another big-ticket item was signals and communications, slated for \$2.2 billion. Nationally, the American Public Transportation Association reports that 260 heavy-rail cars, 189 commuter-rail cars, 83 light-rail cars, and 12 "automated guideway vehicles," such as airport people movers, were

There is no longer any U.S.-based producer of subways, although assembly operations owned by foreign firms exist in New York.

delivered and used in service in 2008. The association estimates that 10,944 buses and "paratransit" vehicles (vans or small buses that offer door-to-door service, usually for disabled or elderly persons) were purchased in 2006.

The problem, however, is that in key parts of the mass-transit industry, domestic suppliers have exited the business, so public capital investments in mass transit become significantly captured by imports. There is no longer any U.S.-based producer of subways, although assembly operations owned by foreign firms exist and are clustered in New York state.

The main foreign suppliers of subways to the U.S. are Alstom, Bombardier, and Kawasaki (principally based in France, Canada, and Japan respectively). South Korean-based Hyundai Rotem and German-based Siemens supply transit vehicles. These firms provide a valuable service to U.S. transit agencies. Nevertheless, foreign sourcing limits the wealth and employment dividend of public investments in subway cars, despite some

local assembly. Fully 100 percent of final assembly of subway cars is done by U.S. workers employed at local affiliates of foreign manufacturers. Yet, this contribution to a subway car represents only about 10 percent of the total value added. In contrast, only 50 percent of the engineering work for a subway car is done domestically. Yet, such engineering represents about 25 percent to 40 percent of value added. In contrast, the propulsion system can represent anywhere from 15 percent to 20 percent of value added, but only 60 percent of such work is done domestically. Estimates for the French-based company Alstom show that the number of domestic engineering staff working on subway production in New York dropped in recent years from about 100 to about 45. Some of the design engineering work is being consolidated in Europe to capitalize on economies of scale.

THE STORY OF THE PULLMAN Corporation's exit from the mass-transit market illustrates that much of the problem facing mass-transit manufacturers was tied to the competence of suppliers and not to the size of the market. As a 1979 article by David Young in *Mass Transit* explains, in 1972 all the mass-transit manufacturers had their eyes "turned to New York," where the city's request for 754 new subway cars was "the largest order in U.S. history." Pullman won this contract with a bid of \$210 million, "underselling General Electric by \$27 million and Rohr by \$40 million." Transit experts noted that Pullman Standard had automated its production facilities to build subways for New York City. They also used numerically controlled welding machines, suggesting that the company was committed to the subway-car market. Pullman turned to Rockwell to build the truck, or undercarriage, for the New York subway. Arthur Murphy, a New York City transit analyst, says that Rockwell's system was untested in New

York City's tougher conditions (where, for example, the roadbed that cars move on is rougher). These created cracks, leading to welds, which then weakened connections and led to further cracks. Eventually, New York City won an \$80 million suit against Rockwell. The problems with the R46 cars led the Pullman Company to leave the subway-car business. The failure to properly organize production also created problems for other U.S. suppliers like the Budd Corporation (when making subways) and Boeing Vertol (when making light-rail vehicles).

Russell E. Jackson, an engineer and consultant and a longtime observer of the subway industry, says that one key problem was that old-line suppliers like St. Louis Car, Pullman, and Budd lacked advanced systems-integration know-how and the skills required to manage complex electrical systems and electronics. Each of these firms had built railroad and subway cars, but modern subway cars became increasingly complicated. Like aircraft and automobiles, they became platforms for electronics. Historically, each had built railroad-car bodies and had purchased the relatively simple light fixtures, electrical outlets, and other electrical components. But electrically, these railroad cars were not very complex or technically sophisticated compared to modern subway vehicles. Jackson quips that some colleagues at his former consulting firm came to believe that "the Budd Company's idea of electricity in a passenger car was the lights and the electric-razor outlets." In subway cars, he explained, "a much greater percentage of the car price goes to outside suppliers because of all the electrical equipment." Each of the old-line builders thus needed to manage its modern subway-car suppliers "in a much more sophisticated fashion" than was done within the railroad-car business. But each failed to do this well.

Other domestic manufacturers like G.E., Rohr, and Boeing Vertol, which could supply the advanced skills and systems-integration capacity lacking in Budd, were diverted by several factors: a hollowing out globalization strategy that did not champion a stronger domestic-

rail industrial policy (G.E.); defense specialization (Rohr and Boeing Vertol), and the lure of the superior profits of the defense market. The military-industrial system, together with America's huge subsidies for autos, created an economic and political environment that helped erode the incentives and capacities to domestically produce state-of-the-art mass-transportation goods.

Since the Cold War began, the government has promoted domestic military-contractors firms through the Defense Department. But the Transportation Department has no comparable policy to promote domestic rail suppliers. The government made extensive investments in the highway system, subsidizing the auto sector, but made weak or uneven investments in the nation's rail network. We also lack the extensive high-speed-rail networks found in Japan, Spain, and France, where our competitors made budgetary commitments and organized their industrial policies to promote the production of mass-transit goods and the underlying infrastructure to support them.

The long production lead times of the mass-transit industry make it countercyclical and somewhat recession-proof.

Other factors that undercut domestic design and production of mass-transit systems and vehicles included: lack of upfront financing; problems in other parts of firms that spilled over to subway divisions; limited advanced engineering skills; lack of cooperation between labor and management; an excessive number of job classifications; poorly qualified workers; a failure to train workers and provide them with job security; design failures; and the weakness and boom-and-bust character of U.S. mass-transit industrial policies (where procurement policies did not adequately support domestic suppliers). The last domestic manufacturer of subways was the Budd Company (reorganized under the name of Transit America), and it ended its rail-car production in April 1987.

THE NEW MULTIBILLION-dollar investments in mass transit suggest a growing market. While only hundreds of domestic subway cars and thousands of buses are supplied each year, the global subway market was worth \$9.3 billion in 2005, according to *BusinessWeek*.

Jack Martinson, an executive at Hyundai Rotem, says the U.S. market became particularly attractive for his firm because of the lack of domestic manufacturers. The Buy-America Act of 1933 encourages U.S. "domestic content" in purchases of public goods like mass-transit vehicles. Paradoxically, Buy-America provisions in existing law actually create a level playing field for all foreign suppliers, since there are no real U.S.-based transit-vehicle manufacturers. Thus, Martinson adds, "no manufacturer has a cost advantage when Buy America is required." These reasons help explain why his company had the confidence to establish a final-assembly facility in the U.S. even prior to winning its first contracts worth more than \$700 million over the least three years.

One benefit to an industrial policy for mass-transit production is the industry's

long production lead times, which make it countercyclical and useful as anti-recession policy. According to a January 2009 report by IBISWorld business consultants, the train, subway, and transit-car "industry operates on long lag times of up to three to four years," reducing the recession's immediate impact on demand. According to the report, at the end of 2008, the "industry had a backlog of approximately 50,000 rail cars and locomotives." Industry revenue grew 6.8 percent in 2008 but was expected to slow down by 2009. Ultimately, however, the government can make or break transit-industry growth based on its budgetary priorities.

New public investments in rail have already helped some U.S. suppliers to strengthen their position as international competitors. One U.S. compa-



Made In The USA?: Workers wheel a completed subway undercarriage over to a holding area at the Kawasaki Rail Car plant in Yonkers, New York.

ny, Brookville Equipment Corporation in Brookville, Pennsylvania, increased employment by 25 percent in 2008. The corporation currently has 204 employees and is expected to double its sales to \$50 million. It also had backlogs in orders until 2011. In 2008, 40 percent of their locomotive production was for public-transit agencies. The company has refurbished street cars for various cities including New Orleans, Philadelphia, and San Francisco and has become a leading U.S. manufacturer of haulage equipment, shipping machines to 80 countries throughout the world. Michael White, a sales and marketing specialist at Brookville, explains that the firm's success has been linked to its focus on quality and customer needs. The firm's shares are not publicly traded, and it has been under private ownership since 1918.

IN LOOKING AT THE POTENTIAL for domestic production of mass transit, we should not consider simply one submarket as the relevant indicator of the potential opportunity. The greater commitment to rail made by European and Asian nations created a foundation for complementary growth of local mass-transit systems and long-distance rail. These two markets could be tapped by system-integrator

firms in these nations. The coupling of an effective industrial policy at the government level and flexible suppliers at the firm level created multiple markets and greater growth prospects for foreign suppliers, in two respects.

First, these nations' commitments to long-distance rail created possible synergies with shorter-distance commuter-rail, subways, and light-rail systems. More sophisticated system-integrator firms could break into these multiple markets. For example, Bombardier and Kawasaki have a presence in both subway and light-rail markets. The more diversified the production capabilities, the more firms can enter multiple markets. Thus, even though there are differences between supplying light-rail vehicles and subway cars, these two firms do both and thereby increase the size of the mass-transit markets that they can enter.

Second, more skilled system-integrator firms in these nations have used subway and rail-transit markets to enter or support their activities in non-rail markets and promote trade and innovation gains in those markets as well. In some cases, companies are part of well-functioning conglomerates that use supply-side capacities (like military or automotive divisions) to both support subway pro-

duction and diversification efforts. Mitsubishi, for example, uses its orders for commuter-rail propulsion systems in the U.S. to help extend its market for highly profitable products like air conditioners. Mitsubishi exploits what could be called "economies of scope in marketing," i.e. leveraging the supply of one good to build a market for another good. These diversification effects and synergies illustrate why policies to support a domestic rail system have benefits far greater than just the domestic rail market.

One U.S.-based systems integrator, Oregon Iron Works (OIW), is a new developer of street cars. In an interview last year with *Rail Magazine*, Chandra Brown, president of the OIW's United Streetcar company, explained why she believes her firm can survive the initial volatile market: "The company has enough work and projects underway that it isn't dependent upon a certain number of streetcar orders. We have a big and diverse job shop. So we don't have to have the line running for any specified duration in order to survive financially. ... If we win three car orders one year, 30 the next, and then seven the following year, we can handle it."

As Brown explained to me, diversified production produces flexibility. The company anticipates getting an order for

ANDREW HARRER / BLOOMBERG NEWS / LANDOV

six street cars from Portland and hopes to get another order for seven cars from Tucson. These are admittedly small numbers, but the firm has a list of over 80 municipalities interested in developing street cars. The company differs from the failed suppliers of mass-transit systems because it has grown up in a very competitive environment, teamed with a Czech firm to gain access to state-of-the-art designs, and has the necessary systems-integration skills from its history of developing nuclear, defense, and renewable energy as well as other advanced product lines.

As the Iraq War winds down, other systems integrators that are defense firms may follow the example of OIW. The ability to service the much larger subway market is enhanced in transit agencies like the Metropolitan Transit Authority and Chicago Transit Authority (CTA) through in-house engineering staffs that write specifications and do maintenance work. For example, in New York City, one top maintenance engineer argued that after the two-year suppliers' warranty has expired, the MTA is able to learn more than the original supplier about how vehicles (and thus the technology behind them) work in service. And in Chicago, the CTA's superior knowledge once helped U.S.-based Boeing Vertol successfully enter the subway market. Boeing Vertol's designs and engineers, ironically, later helped Kawasaki enter the U.S. market.

A COMPREHENSIVE POLICY to encourage domestic production of mass-transit goods would include not only increasing the share of local content but also increasing public investment in mass-transit research and development, supporting rail infrastructure, and encouraging a research-and-production consortium. Such a consortium could include joint ventures between U.S. universities and systems integrators, foreign suppliers, and domestic suppliers of key components, and the development of an industrial workshop that could integrate research, testing, and prototype development. Companies like Brookville Equipment Corporation

and Oregon Iron Works could provide a nucleus for a domestic revival of transit production. Worker and community ownership will also limit outsourcing and protect domestic jobs.

The AFL-CIO, New York City Metropolitan Transit Authority, U.S. Business and Industry Council, and University Transportation Research Center (UTRC) at the City University of New York are all interested in increasing domestic content in mass transit. In a potential coalition linking labor, local government, business groups and universities, the government is a key actor because of government's procurement power. A leading official at the MTA recently suggested to me that if New York state and the federal government could cover the increased costs of domestic production, the agency would consider supporting greater domestic content in subways.

Meanwhile, Robert E. Paaswell, UTRC's director, together with trade unions and the Institute for Policy Studies in Washington, D.C., is organizing meetings in June of labor, transit agencies, and other stakeholders to support increased domestic content in mass transportation. As Paaswell explains, "Such meetings are

critical to provide focus on a major effort that addresses two key objectives of the stimulus bill; these are, first, to create career ladder jobs and second, to plant the seeds for long-term investments." We now have a chance, he points out, to connect spending on infrastructure and rail vehicles to a scale and continuity of financing that will make long-term investment worthwhile for manufacturers. The situation today is in stark contrast, Paaswell says, to the recent past when weak support "drove the last of U.S. suppliers offshore."

Our multiple crises suggest that a Green New Deal must mean more than one-shot investments. Support for mass transit and its supply industry can help promote domestically rooted system integrators, manufacturers, employment, and wealth creation. The expansion of domestic production, based on expanded investments in mass transit, could help link recovery plans centered on public works to a more comprehensive reindustrialization program. **TAP**

Jonathan Michael Feldman is an associate professor in the department of economic history at Stockholm University.

Beyond Sunny Hopes and Windy Rhetoric

To realize the promise of solar and wind power, aspirations need to be matched with more effective strategies.

BY GEORGE STERZINGER

President Barack Obama hopes that new wind and solar projects will produce many thousands of new jobs. Renewable energy, after all, is manufactured energy. If domestic producers were to provide the thousands of component parts that a major shift to wind and solar energy requires, a side benefit would indeed be a domestic production industry and significant employment. Unfortunately, we do not currently have

a domestic renewable industry capable of supplying those components. Neither do we have any real plans to develop one.

Failure to support a world-class domestic renewable industry in the face of greatly expanded demand will have two negative consequences. European Union and Asian countries will continue to capture most of the new jobs. And the increased domestic demand for wind and solar projects could easily out-



European Import: A wind-plant supervisor looks up the base of a turbine at a wind farm in Wasco, Oregon.

individual households to grid-sized projects hundreds of times larger. SolarBuzz, an international solar-energy research and consulting company, publishes an average of module costs that shows U.S. costs dropped to \$4.35 per watt in 2005 and then climbed to \$4.85 in 2008 and have stayed at that level.

Today, there is not a single federal program to support the development of a domestic renewable-manufacturing industry. And nothing in the initial Obama administration recovery plan supports one either. That needs to

strip the industrial capacity to supply the components, leading to bottlenecks and price increases. The expectation among renewable-energy advocates is that programs to create market demand will allow the technology to drive down costs, leading to increasing competitiveness and market share. But can this virtuous circle of increased demand leading to lower prices leading to further demand be realized? Only if the market demand is matched by programs to expand industrial capacity to supply the components and finished products demanded.

Even the relatively mild increase in demand for wind and solar over the past three years produced sharp price increases. The installed costs for wind have risen, according to the Department of Energy, from a low of \$1,200 per kilowatt in 2003 to an average of \$1,710 in 2007.

The costs of solar energy are a bit more difficult to pinpoint because installations vary dramatically from small systems for

change if the promise of green energy and jobs is to be realized.

THE GREEN MANUFACTURING POTENTIAL New wind and solar projects provide jobs for workers installing and maintaining them. And the jobs created by the installation and ongoing maintenance of renewable projects cannot be sent offshore. For example, the 330 megawatts of wind turbines at the Kittitas and Wild Horse wind farms developed outside Ellensburg, Washington, and the 400 acres of mirrors at the Solar One concentrating solar power project outside Boulder City, Nevada, provide visible evidence of renewable energy's economic footprint.

However, the greater potential for renewable energy to stimulate the U.S. economy requires looking beyond installation and maintenance to the manufacturing industries that provide the wind and solar technologies. At the Kittitas, Wild

Horse, and the Solar One projects, all of the major capital equipment was imported. The wind project developers imported towers, blades, and turbines from Europe and Southeast Asia to the wind farms. The Solar One project imported mirrors, vacuum tubes, and the power generator from Europe to Nevada.

Every megawatt of a typical wind turbine installed today is estimated to create 4.85 full-time equivalent jobs to manufacture, install, and maintain the project. About 70 percent of the total labor required for a typical wind turbine is in the manufacturing. For solar, the manufacturing requires about 75 percent of the total labor. As it now stands, any new national clean-energy policy that relies solely on accelerated incentives for installation of wind and solar projects will simply lead to an acceleration of imported equipment.

SUPPLY CHAINS AND STATE STRATEGIES

A modern wind turbine is assembled from a number of component parts, typically produced by different suppliers. One firm will roll large plates of steel into the columns that support the turbine. Another firm will specialize in the development of the turbine blades from carbon fiber materials. Still another will make the electronic controls for the operational control of the turbine. And so on.

At least 26 states have passed legislation to mandate in-state purchase of renewable electricity. To capture the manufacturing and job potential, states should look strategically to promote manufacturing supply chains. States should start with an analysis of their assets and look for ways to help existing industries to retool or add capacity to manufacture renewable components. Typically, development agencies assemble a package of incentives to lure renewable manufacturers to the state. States should go beyond that practice in several respects—by getting directly involved in the development process.

One good approach is to streamline the permitting process and use it as a planning tool. The development of renewable projects requires obtaining scores of approvals, from environmen-

RICK BROWNER / AP IMAGES



In My Backyard: High-voltage electric-transmission lines run through a wind farm near Spearville, Kansas.

tal permits to local zoning approvals to transmission agreements. Only then does a project get to the stage of negotiating power-purchase agreements and project financing. Typically, a project developer will look for an electric utility to purchase the power generated from the project under a long-term contract. This contract will translate into the annual revenue that can be taken to banks to secure financing of the project.

The early permitting steps can be very expensive and time consuming. Until the permits are obtained, the project cannot go forward, creating a chicken-and-egg problem. However, many of the early permitting steps can be packaged in advance by a public agency. The agency can then offer them to developers in exchange for agreeing to use local manufacturers.

For example, Nevada used this approach in the 1990s when it offered use of a portion of the 1,400 square miles at the Nevada Test Site facility for renewable development. Funds were obtained

from the Department of Energy to perform environmental impact assessments for the test site and a few other strategic locations, planning for transmission upgrades were undertaken, and early markets for renewable power were negotiated. In a request for proposals, these various public assets were offered in exchange for developing renewable, particularly solar, projects with an emphasis on projects that also located manufacturing in the state. Low natural-gas prices at the time stopped solar development, but the solar development sites are currently under proposed development.

In Ohio, a broad coalition centered in Cuyahoga County has focused on developing the offshore wind potential of the Great Lakes. According to estimates developed by the National Renewable Energy Lab, up to 250,000 megawatts of wind power can technically be developed on the Great Lakes. The technical potential from the Great Lakes alone is 12 times as much as the total installed wind capacity. If this offshore wind resource can provide com-

petitively priced electricity generation, the investment to develop it would require at least \$500 billion and perhaps more than a \$1 trillion in new investments. The Cuyahoga Project intends to demonstrate that offshore wind turbines can generate electricity competitively. If initial pilot projects can achieve this breakthrough, it will open the 250,000-megawatt potential for commercial development. Built out over a 10-year period, the offshore wind projects would require between \$50 billion and \$100 billion of investment per year, which would be financed with long-term contracts to buy the output of the installations; the plan is for regional manufacturers to supply the component parts for the turbines.

The Cuyahoga group hopes to develop the Ohio industries and work force to supply the gearboxes, blades, towers, metal castings, electronic controls, and all the other component parts that will be assembled into the wind turbines. To negotiate for these manufacturing opportunities, the Cuyahoga group undertook early environ-

mental assessments of likely sites. In addition, the group obtained a lease from the state for submerged lands for one or more pilot projects. The group is also planning on funding an underwater transmission line to link pilot projects to onshore transmission. Armed with these valuable assets, the group intends to negotiate with potential developers. The developers would get access to the site and transmission lines and in exchange agree to use qualified local manufacturers.

One option being explored is for a portion of the transmission capacity to be reserved for wind projects that meet in-state manufacturing content standards. Such trade-offs have been negotiated elsewhere. In Minnesota, a transmission line across farmland was required to set aside capacity for 60 megawatts of community-owned wind projects.

Securing access to transmission lines can be one of the most difficult hurdles for renewable projects to overcome. In some states, the existing lines can be close to capacity, which means that any new project has to wait for expansion of the lines before the new renewable-source power can be delivered to the local utility. Often, project developers will file for access to transmission lines only to be placed in a long queue. The greater the difficulties, the greater the value of securing access to transmission lines would have for developers.

However, while states can be innovators, there are problems with relying mainly on state-level initiatives. States acting alone find themselves in a zero-sum game to pursue new industry, often bidding against each other in subsidy wars. It's not clear that a balkanized wind and solar industry, with each state favoring its own local suppliers, is necessarily the best way to shift to a renewable path. A solid program of federal supports to create a world-class domestic renewable industry will move beyond the zero-sum trap states alone will tend toward.

COMPREHENSIVE FEDERAL POLICIES

Federal energy policy must look beyond providing incentives for new renewable projects and look as well at supporting the growth of a globally competitive

domestic renewable industry. Here are the major elements critical to a successful program:

Financing Incentives. On the financing front, the 2005 Energy Policy Act includes a provision authorizing Clean Renewable Energy Bonds. These bonds, known as CREBs, subsidize costs by offering the purchasers of the bonds a tax credit in lieu of an interest payment. Qualified projects apply to the Treasury for an allocation of bonds. If they are selected, they sell the bonds but are only responsible for repaying the principal.

CREBs to this point have only been available for public bodies that sell bonds and use the proceeds to finance renewable-energy projects. Sellers of the bonds in effect get an interest-free loan. The bond program could be expanded to support new or expanded renewable manufacturing.

Securing access to transmission lines can be one of the most difficult hurdles for renewable projects to overcome.

Research and Development. The federal government can also become much more active in promoting research and development. Competitive advantage is derived from technological breakthroughs in everything from nanosolar advances to solving wind-turbine gearbox problems. Manufacturers of components are intimately aware of critical problems—such as the need to reduce the weight of the turbine components, make blades lighter, make generator transmissions more durable, and make solar-energy inverters, which convert direct-current solar electricity to alternating-current solar electricity, last longer. The list of problems is endless, and the flip side of that is the potential for improvement is endless. Federal research and development support can link the national research community, in particular the national energy labs, and the manufacturing community. This linked research and development, through to the commercialization phase, will not only assure that the domestic renewable

industry is world-class but will also help drive down the cost of renewable energy. This is exactly what has happened in bio-tech, thanks to supportive national policies—and what has not happened in renewable energy production.

Commercialization. Even when a research and development project is successfully completed from the point of view of the researchers, it may ultimately fail if it never makes it into commercial practice. Commercialization policy supports the translation of research and development programs into commercial applications. There are many ways to do this but they all have elements in common. The effort to be commercialized must be “important” from the public’s point of view. The private owners of the research and development must have “skin in the game,” usually accomplished through a requirement that they provide at least 50 percent of the

investment for the initial venture. Conversely, the public investor needs both to cost-share and to reap a share of the benefits if the project pays off.

Title XVII of the 2005 Energy Policy Act called for providing loan guarantees for “significant new technologies” that contributed to climate-stabilization goals. In the three years-plus since the passage of the legislation, the Energy Department has not issued a single loan guarantee. The alternative to loan guarantees would be a federal program that offers a grant to provide 30 percent to 50 percent of the initial commercialization cost. Basically, the government needs to become something of a venture capitalist or partner if we are to jump-start green-energy production.

MOVING AHEAD

After decades of neglect, the Obama administration is moving to develop a climate-stabilization policy. Any serious effort here will require a major reworking of the U.S. energy sector. Renewable-energy technologies, which provide

CHARLIE REIDEL / AP IMAGES

needed energy while reducing carbon-dioxide emissions, will play a major role in these efforts. Even the initial efforts here will require thousands of megawatts of renewable projects, projects that will require hundreds of billions of dollars in new investments.

At the same time, and after similar decades of neglect, the Obama administration is tackling the erosion of the economic health of middle-class American families. The vice presidential task force taking on this problem announced that its initial meeting would be on green jobs.

There is great anticipation that the widely shared goal of doubling renewable energy generation over the next three years will provide thousands of green jobs. It can, but we should not celebrate early. The prevailing mind-set at the federal level is to pull renewable projects along by providing incentives for

developers. But this leaves 70 percent of the potential jobs on the table. The full potential of a major renewable-energy-development effort to create green jobs will only come if we also support the development of a domestic renewable-energy industry.

The greatest potential and competitive advantage of such an industry is its ability to evolve rapidly and offer technologies that produce electricity at lower and lower prices with no carbon emissions, subsequently decreasing our dependence on foreign fossil fuels. A world-class renewable industry can be created here, but the effort requires financial incentives, targeted research and development, and a serious effort to commercialize important innovations. **TAP**

George Sterzinger is executive director of the Renewable Energy Policy Project.

the money from the 1994 legal settlement to expand their fledgling group, WE ACT for Environmental Justice. Shepherd, the organization's current executive director, was the 2008 winner of the Jane Jacobs medal for Lifetime Leadership given by the Rockefeller Foundation.

Today, WE ACT has a staff of 17, an expansion of the team of three formed with the help of that 1994 grant. The staffers research issues affecting community and public health, educate community residents on environmental issues, and train residents to get involved in research and advocacy. For example, WE ACT's Environmental Health and Community-Based Participatory Research projects have instructed residents on surveying and mapping so that they can assess the risks of high concentrations of bus diesel fumes in their neighborhoods.

But at WE ACT's recent 20th-anniversary conference, held at New York's Fordham University in January, broad concerns emerged about how much of President Barack Obama's \$780 billion economic-recovery package would actually trickle down to urban communities of color. In a keynote address, Rep. Charles Rangel, Harlem's longtime congressman, reassured the conference by announcing that the House had included \$10 billion in the American Recovery and Reinvestment Act for community-organization work on energy efficiency and pollution education. But he ducked audience questions about whether those funds would target minority organizations and communities.

The money in the final stimulus bill fell far short of Rangel's \$10 billion. The actual money for worker training and new employment in energy projects was below \$5 billion. And the government's policy on targeting communities long suffering high employment remains ambiguous.

The story of the environmental-justice movement, since its inception, has been one of promising initiatives dogged by questions of scale and impact. Now that everyone seems to be jumping on the green bandwagon, from columnist Thomas Friedman to polluting-industry lobbyists touting "clean coal," environmental-justice activists see their

communities being potentially excluded once more.

For example, post-environmentalists Michael Shellenberger and Ted Nordhaus, authors of *Breakthrough: From the Death of Environmentalism to the Politics of Possibility*, argue that the environmental-justice movement has historically been too narrow in scope to really be effective, even for its own communities. Shellenberger and Nordhaus advocate a pro-growth, pro-prosperity, pro-capitalist approach to a green future—an approach that minimizes community-focused work.

"You can understand their frustrations," says Julie Sze, director of the Environmental Justice Project at the University of California, Davis. "There is this really strong divide between [envi-

With millions of jobs lost in the recession, green-jobs programs that serve thousands can't begin to make up the difference.

ronmental justice] organizations and those who see community-based work as old-school."

LONG BEFORE THE GREEN-development movement became trendy, environmental-justice groups have had a significant history with federal employment programs related to the environment, even before they were labeled as "green jobs." For example, in 1995, the National Institute of Environmental Health Sciences established the Minority Worker Training Program, which targeted minority youth for work in environmental fields and included a program specifically for remediation of polluted brownfield industrial sites. The first grants, according to the program's Web site, promoted "partnerships or sub-agreements ... with a particular focus on historically black colleges and universities, public schools and community-based organizations."

Grants went to trade unions such as the Laborers, for recruitment and training of workers into apprenticeships and jobs. And some went to historically black colleges and universities, such as Clark

Atlanta University, currently host of the Environmental Justice Resource Center headed by Dr. Robert Bullard. Today, Bullard's center continues this work with the Deep South Center for Environmental Justice, led by Dr. Beverly Wright at Dillard University in New Orleans.

Two specific goals were to train non-English speaking and limited-literacy workers and to train low-income individuals generally, working with environmental organizations. From 1996 to 2000, 1,647 students were trained in the Minority Worker Training program. Of these, 1,072, or 65 percent, were placed in jobs.

In 2001, the New York City Environmental Justice Alliance teamed with the New York District Council of Carpenters Labor Technical College for the training program. They recruited workers

fresh out of prison, on parole, veterans, and the homeless to clean up brownfield sites. Part of the packaging was not just training for the work but also special life-management training. Twelve weeks of basic math, writing, and job-readiness classes were required before technical training occurred. "We need life-skill and job-readiness training before we even begin to talk about jobs," Bullard says, "especially with urban industries where there are large populations that have never had a full-time or steady job."

In the New York City pilot program, from 1995 to 2002, over 2,300 young minority adults were trained, and of those 65 percent were placed in jobs. In that year alone (September 2001 to August 2002) 334 had been trained with 222 landing gainful employment in construction, carpentry, environmental work, hazardous-waste cleanup, and asbestos abatement. These were the original green-jobs programs underwritten by federal funds. Approaches like these could make a big difference in communities of color, if the scale were adequate.

In 2003, environmental-justice leader

Majora Carter, the widely praised founder of Sustainable South Bronx, started the Bronx Environmental Stewardship Training (BEST), which is lauded as one of the strongest local green-jobs initiatives in the country. BEST has graduated over 100 workers in green-job training and placed 80 percent in jobs, at a cost of between \$7,000 and \$8,000 per participant.

In Richmond, California, the community-based nonprofit Solar Richmond partnered with the city and another nonprofit called GRID Alternatives to put low-income residents to work installing solar-energy systems in homes



At The Local Level: The YouthWorks program in Santa Fe, New Mexico, is giving young adults on-the-job training with green-collar jobs.

of poor residents. The 10-week training program has placed 11 participants to date in jobs paying an average of \$18.33 per hour with benefits.

Chicago's GreenCorps program, established in 1994, trains up to 50 people each year, many of them ex-offenders, for jobs in landscaping, gardening, weatherization, and recycling. Another Chicago program, Growing Home, was started in 1992 to place homeless and formerly incarcerated people into living-wage jobs in organic farming.

These are just a few examples, but they illustrate the problem with scale. As of January over 3.6 million jobs were lost in the recession, and green-jobs programs that serve hundreds or even thousands of people can't begin to make up the loss.

David Pellow, a sociology professor

Fighting for Green Justice

In the race for green jobs, environmental-justice advocates don't want urban communities to get left behind.

BY BRENTIN MOCK

Since the 1980s, the environmental-justice movement has linked the pursuit of a greener economy with the needs of urban minority communities that have suffered more than their share of environmental assaults. Though the best publicized new jobs in the clean-energy economy are ones building wind turbines or solar-energy technology, environmental-justice leaders insist that green jobs are also about cleaning up brownfield sites, abating inner-city lead levels, monitoring urban air and water quality, developing urban gardens, and mitigating asbestos.

Beyond merely offering employment opportunities, activists say the jobs should also pay decent wages, have safe work environments, and be unionized or offer workers considerable say over how businesses operate. But now that green

economic development has become fashionable, environmental-justice advocates fear that the green-jobs movement will leave their communities behind.

For two decades, the environmental-justice movement has combined protest with organizing for education, employment, and development. In 1988, a New York City urban activist named Peggy Shepherd stood on Manhattan's West Side Highway and blocked traffic to draw attention to pollution from the North River Sewage Treatment Plant that was creating respiratory problems for poor and minority residents in nearby Harlem. Another of the protestors, collectively known as the "Sewage Seven," was David Paterson, who would later become governor of New York. The activists sued the city's Department of Environmental Protection over the issue and used some of

JANE PHILLIPS / THE SANTA FE NEW MEXICAN / AP IMAGES



Green-Jobs Guru: Van Jones visits a solar-panel installation at a residence in Richmond, California.

at the University of Minnesota who has written extensively about the promise of the environmental-justice movement, says that the U.S. has more than enough resources to take community-based environmental projects and give them broader reach. Also, he says, with all the work that needs to be done with affordable and safe housing, public transit, producing clean air and water, and building renewable-energy technology, plenty of jobs will be needed. “For the kinds of things these smaller outfits are already producing, there are enough basic similarities to expand these models very reasonably,” Pellow says.

BUT WITH SCALE COMES compromise. Consider the green-jobs guru Van Jones, a charismatic activist whose prominence produces ambivalent reactions from some in the environmental-justice community. Jones argues in his 2008 book, *The Green Collar Economy*, that millions of new green jobs can accommodate the displaced and those previously denied work because of lack of skills, discrimination, or a criminal record. Jones has worked toward winning jobs for youth and those with stained records through the Ella Baker Center, a community-advocacy nonprofit he formed in Oakland in 1996, and won prominent attention during its “Books not Bars” juvenile-justice campaign. In 2007, he started a crusade for green jobs by co-founding the “Green for

All” nonprofit along with Majora Carter and other fellow activists.

But some in the environmental-justice community express concern that with Jones’ increasing prominence has come a rhetoric that sounds increasingly like a market-driven, business-led approach. In *The Green Collar Economy*, Jones asserts that while the role of nonprofits and community-based solutions will be important, “only the business community has the requisite skills, experience, and capital to meet that need. On that score, neither government nor the nonprofit and voluntary sectors can compete, not even remotely.” To Jones, the task of addressing climate change while retrofitting America and creating jobs is so daunting that only suitably incentivized and resourced businesses can produce the desired impact.

The incentives that Jones describes are outlays of public money. And environmental-justice leaders contend that with adequate funds, they could not only provide employment but also shepherd the green-jobs movement to communities whose urgent needs for clean environments and sustainable work are typically bypassed. “It is a shared effort,” Carter says. “The impetus has to come from the grass roots.”

Elizabeth Yeampierre, director of United Puerto Rican Organization of Sunset Park, says she was “stunned” by Jones’ statement. “He has elevated the

conversation—I don’t want to take that away—but we have to learn how to work with each other respectfully.” She is comfortable engaging with business leaders, she says, “so we can as a community redefine what the new economy means. [But] it’s also a bad message to send to corporate America that they don’t need to talk to us.”

To be fair, Jones appears to be referring to “eco-entrepreneurs” who work and operate under fair, sustainable, green standards. In *The Green Collar Economy*, he also writes, “We cannot realistically proceed without a strong alliance between the best of the business world—and everyone else.” But to many in the environmental-justice movement, the record of business toward neglected minority communities suggests that coloring businesses green will not by itself transform the natural tendency of corporate elites to put profits over people.

“The idea that somehow renewable-energy companies will behave any different than any other existing energy companies seems unrealistic,” says Kevin Doyle of Green Economy and co-chair of the New England Clean Energy Council Workforce Development Group. “It’s going to be an uphill battle to get people who’ve had barriers to employment to suddenly get access, and this new moment only makes it nominally better.” Doyle argues that it will take continued organizing to change private-sector behavior and that it would be naive to expect radical changes in the way that even eco-entrepreneurs do business.

“Business interests coming in to [low-income and minority] communities to capitalize on these new opportunities shouldn’t surprise anyone,” Pellow says, “but [the movement] has been around long enough to see this occur again and again. I do hope that this time they will be moved not to just throw up their hands but that people and private developers will listen to them. But if we’re not willing to challenge the social structures that exist, then we will all be dead in the water.” **TAP**

Brentin Mock is a Metcalf Institute fellow for environmental reporting at the Prospect.

EROS HOAGLAND / REDUX

Lessons From Europe

Funding for research into new technology is key.

BY JANE BURGERMEISTER

While the U.S. can learn much from European strategies to promote renewable energy, it must also be cautious. The International Energy Agency (IEA) review says that a major failure of the European Union’s green-energy policy is a dearth of investment in research and development of new green technologies, which, the agency says, will be crucial in providing abundant and inexpensive clean energy.

Just a few promising new technologies include wave buoys that convert sea-wave energy into electricity, cellulosic biofuels, dye-sensitized solar cells, and even third-generation photovoltaic (PV) modules that could bring the price of solar energy down to less than 20 cents per watt.

Because the EU is still too reliant on a narrow range of relatively inefficient technologies, the proportion of renewable energy used in Europe today is only marginally higher than in the United States and Australia, which have not implemented any renewable-energy policy. Moreover, most of the green energy in Europe still comes from hydropower, which has been around for centuries.

To maximize the United States’ chances of creating a thriving, clean-energy economy by finding green innovations, Washington should make it a priority to pour money into its country’s strong civilian and military research institutions. Thanks to a deep pool of technical and scientific knowledge, the U.S. is in a good position to find the next generation of solar- and other renewable-energy technologies that could allow not just it but the entire world to switch over to clean energy inexpensively and efficiently.

The mainstay of Europe’s renewable-energy policy continues to be the feed-in tariff system, which guarantees payment for anyone feeding solar PV, wind, or hydro energy into the national grid. The feed-in tariff has been credited with developing

a large manufacturing base for the solar industry. However, critics say that the wafer-based solar-cell technology being produced is out of date, inefficient, and expensive. As a result, Germany’s solar industry produces only about 1 percent or 2 percent of the nation’s electricity but costs billions of euros every year.

Because the German solar industry spends only about 200 million euros a year on research into new technology, there is little prospect of a future PV-export hit coming from Germany that is able to compete with expected breakthroughs from the generously funded research programs in China or the United Arab Emirates.

The IEA review also criticized the EU as a whole for spending as little as 200 million euros a year on green research and development in its research program. Because the EU’s FP7 research

The bottom line is that the U.S. should focus on research to bring the next generation of renewable energy to market.

framework program runs until 2013, substantially more money for vital green-technology research and development is unlikely for four years, by which time Europe could have fallen so far behind that it will have to import the next generation of clean technology from countries that have invested in innovation, the IEA warns in its review.

In addition, the IEA criticized the European Union’s failure to make energy-saving measures mandatory and therefore put a brake on the runaway carbon emissions coming from the lightly regulated transport sector, which contributed to the overall increase in greenhouse gases in the EU last year.

The European Union’s recent push to tighten its controversial “cap and

trade” carbon scheme to reduce greenhouse gases also suffered a setback in December when most of Germany’s heavy industries were exempted from the obligation to pay for permits until 2013. Indeed, some critics argue that the current system might even allow polluting industries to make an additional profit even if they do not undertake any steps to reduce their greenhouse gas emissions simply by trading the free permits handed to them by the European Union, paid for by the taxpayer, for real cash.

On the plus side, the European Union has a highly interconnected electricity grid, with the United Kingdom and Spain among the few remaining “electrical islands.” Plans are currently underway to extend the grid to the sun-rich desert regions of North Africa, allowing Europe to potentially access solar-thermal energy produced there in the future. The continent’s vast grid also acts as a storage facility for renewable energy, allowing it to overcome difficulties that arise from the intermittent nature of green-energy production.

The United States’ national electrical grid, on the other hand, needs a great

deal of investment before it can absorb large amounts of renewable energy and still supply baseload power. President Barack Obama’s recent announcement of substantial investment in a new “smart” grid as part of a stimulus package could be a first step.

The bottom line is that the U.S. should focus on research to bring the next generation of renewable energy, particularly solar, to market rather than overinvesting in soon-to-be outdated technology; it also needs to push ahead with the most viable current renewable-energy projects to reduce pressure on the environment. **TAP**

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Our Man in Kabul

Richard Holbrooke learned some hard lessons in Vietnam. Now he is applying them to Afghanistan and Pakistan.

BY TARA MCKELVEY

At 5 P.M. on a weekday in Oak Grove, Kentucky, not far from Fort Campbell, a dark-haired woman is standing in front of her house on Artic Avenue. She watches her dog run through the yard. Inside, her three-year-old son waits. She tells me that her husband is coming back from Afghanistan in a few days. He has been deployed three times, and he will probably be sent over again. When I ask when his fourth deployment will be, she shrugs her shoulders.

"Who knows," she says, declining to give her name for fear it will get her husband into trouble with the military. "We're the last ones to know anything."

As soldiers and their spouses frequently announce, they signed up for this life. They know the risks. The troops are in Iraq and Afghanistan to improve security and reduce violence, and sometimes soldiers and marines die in the process. Still, the effects of the wars, with their multiple deployments, instability, and loss of life, are palpable on Artic Avenue. The house across the street is empty—its former inhabitant, an Army private, died of a gunshot wound in Iraq in 2005. Another soldier who lived down the street also died in the Middle East, a retired officer tells me. "For Rent" signs are everywhere, stuck in the yards of small brick houses with overgrown yards.

There was a time when Iraq was the assignment that military families really dreaded. Now, finally, the military infrastructure in Iraq has been built up. If a soldier is injured in a suicide bombing, he can be transported to a combat-support hospital and undergo surgery within 20 minutes of the explosion. But in Afghanistan, conditions are more primitive, and soldiers have a tougher time getting medical attention when injured. Not many people want to go to Iraq—but Afghanistan may be worse.

"Iraq is not the central front in the war on terrorism, and it never has been," Barack Obama wrote in July 2008 in a *New York Times* op-ed. "As president, I would pursue a new strategy, and begin by providing at least two additional combat brigades



The Next Quagmire: A soldier keeps watch from a Chinook helicopter near Bagram Air Field.

to support our effort in Afghanistan. We need more troops, more helicopters, better intelligence-gathering and more nonmilitary assistance to accomplish the mission there." It is possible, of course, that he overstated the case to show that he would be a formidable commander in chief. Obama opposed the war in Iraq, but he did not want to be seen as a peacenik. An aggressive military strategy in Afghanistan would dispel that notion.

Political posturing aside, there were legitimate reasons to call for more troops in Afghanistan. The number of Afghan civilian deaths jumped by almost 40 percent over a one-year period, according to a United Nations survey, from 1,500 in 2007 to more than 2,000 in 2008. Most of these people were killed by the Taliban and other insurgents in the region.

Complicating matters is the inseparable, insoluble problem of neighboring Pakistan. Authorities in that country recently handed over control of the Swat Valley region to the Taliban. This puts the Taliban within 100 miles of Islamabad—and the officials there who control the nuclear warheads. But perhaps the biggest problem in Pakistan is that the country essentially

GORAN TOMASEVIC / REUTERS / LANDOV



The Negotiating Table: Richard Holbrooke, the U.S. Special Representative to Pakistan and Afghanistan, confers with Afghan President Hamid Karzai in Kabul, February 15, 2009.

has two governments: One is led by President Asif Ali Zardari, and the other is an unelected body made up of shadowy intelligence officers and generals that, as Peter Bergen, a senior fellow at New America Foundation, explained March 4 before the House Subcommittee on National Security and Foreign Affairs, “controls almost all decisions related to Pakistan’s national security and foreign policy.” The challenge for the U.S. is to find a way to work with Zardari while other, more powerful figures are operating in the background.

Obama has placed diplomatic control of this volatile situation in the hands of Richard Holbrooke. As the special representative to Pakistan and Afghanistan, Holbrooke is arguably one of the most important figures in U.S. foreign policy. Up until this point, discussions about Afghanistan have centered on Gen. David H. Petraeus’ military strategy and his efforts to weaken the hold of the Taliban. That strategy is currently under review, however. And diplomacy is more important than ever, particularly in the short term.

Holbrooke’s role in brokering the 1995 Dayton Peace Agreement for Bosnia turned him into a larger-than-life figure in Europe, the United States, and the Middle East. For this reason, he is no ordinary envoy. (Indeed, he secured for himself the title “special representative,” which means he answers to the president, not just the State Department.) Holbrooke exudes American confidence and brashness. He is a man who does not know the word “failure,” says Kenneth Bacon, a former assistant secretary of defense who knew Holbrooke during the Dayton peace process. “It is not in his vocabulary.” He is also known as a tough negotiator who is willing to talk to anyone if he thinks it will yield results. Recent reports indicate he may soon be talking to Taliban leaders.

The main goal for the United States is to fight Islamic extremism in Afghanistan and Pakistan. Obama has made it clear that this requires more than military might—which is where Holbrooke comes in. He is tasked with strengthening

relations with Afghanistan and improving the United States’ image in that country. This will put him in a stronger position when he encourages leaders in their efforts to fight the violent extremists and to crack down on corruption in their own government and police forces. In the wake of NATO airstrikes that have killed civilians, turning many Afghans against the United States, Holbrooke must reassure the Afghan authorities—and the public, too—that the United States is doing everything it can to protect noncombatants. It is a formidable undertaking. For hundreds of years, foreign statesmen, as well as troops, have entered Afghanistan and tried to fix things, inspiring Kipling-esque stories of their failures.

The history does not seem to faze Holbrooke. Indeed, he has shown extraordinary optimism about the prospects for change. In 2008, for a *Foreign Affairs* article, he wrote, “The situation in Afghanistan is far from hopeless. But as the war enters its eighth year, Americans should be told the truth: it will last a long time—longer than the United States’ longest war to date, the 14-year conflict (1961-75) in Vietnam.” The U.S. needs to develop a new approach to four major problems, he continued: the underdeveloped tribal areas of western Pakistan, the powerful drug lords who dominate much of Afghanistan’s political system, the inadequately trained Afghan national police, and “the incompetence and corruption of the Afghan government.” Each of these problems must be approached with a combination of military might and diplomatic finesse, Holbrooke noted. Yet, despite warnings that the situation in Afghanistan looks eerily familiar (a recent *Newsweek* cover story on the country was ominously titled “Obama’s Vietnam”), he clearly feels the best course is still full speed ahead.

In the coming months, Americans will find out whether Obama is willing to support the level of commitment that Holbrooke has espoused. And military families in Kentucky and across the nation will discover what Holbrooke’s ideas mean for them.

ON A BLUSTERY WINTER evening at the Century Club in New York, Richard Holbrooke chats with guests at a book party. A bartender pours glasses of Côtes du Rhône, and a waiter brings around a tray of parsley-garnished lamb chops. Dressed in a pale-pink shirt, unbuttoned at the top, and with his right hand jammed into his pocket, Holbrooke, 67, a New Yorker, seems completely at home. Indeed, he is a longtime member of the Century Club, which has been a popular haunt for members of the foreign-policy establishment for decades.

In the midst of the elegant surroundings, an oil painting titled “Flies,” showing five human skulls on a gray background, hangs on a back wall. The artwork has a sense of foreboding—and so does the book being celebrated: Gordon M. Goldstein’s *Lessons in Disaster: McGeorge Bundy and the Path to War in Vietnam*, the story of how the national security adviser to John F. Kennedy and Lyndon B. Johnson (and a friend of

Holbrooke’s) tried to come to terms with the policy mistakes that led to the Vietnam tragedy.

Holbrooke’s coming of age as a diplomat was shaped by Vietnam, and his career has long been intertwined with his own efforts, as well as those of others in the field of statecraft, to understand the Vietnam experience so that it will not be repeated. At age 22, Holbrooke worked for the U.S. Foreign Service in the Mekong Delta. He also spent time in the U.S. Embassy in Saigon learning the hard lessons of the Vietnam War: more than 60,000 Americans and millions of Vietnamese dead by the end. The debacle was, in part, created by men like Holbrooke, then a young Foreign Service officer, and Bundy, an influential statesman—the so-called “best and the brightest,” a phrase coined by journalist David Halberstam to describe those from elite universities and think tanks who pulled the United States into the quagmire.

At the Century Club, the specter of Vietnam hung over the room. Shortly after the party began, Holbrooke gave a short speech. He mentioned the conflict in Iraq, or, as he said, the one “we’re going to disengage from.” Then he mentioned the conflict in Afghanistan—the one, he said, “that we are determined to win.” It was a line that Americans have heard before.

Holbrooke assumes his role as ambassador to Afghanistan and Pakistan at a time when Americans are facing an urgent question: Is this the right war? His colleagues say that despite his brashness in person and on the page, Holbrooke has struggled with the mistakes of the past, particularly in Vietnam. Most officials who were involved in that conflict, almost regardless of their level in the government, have gone through some period of self-examination—though some took longer than others. In *Lessons in Disaster*, Bundy finally attempts to assess his own role in the conflict. “My wish now is that we had done less,” Bundy says. “I wish that I had understood that more clearly.”

Holbrooke, too, had to acknowledge some unpleasant truths that emerged from his Vietnam experience. In his review of *Lessons in Disaster* for *The New York Times Book Review*, Holbrooke describes a February 1965 evening in Saigon when he had dinner with Bundy: In the “dining room that night were people far less intelligent than Bundy, but they lived in Vietnam, and they knew things he did not. Yet if they could not present their views in quick and clever ways, Bundy either cut them off or ignored them. A decade later, after I had left the government, I wrote a short essay for Harper’s Magazine titled ‘The Smartest Man in the Room Is Not Always Right.’ I had Bundy—and that evening—in mind.”

Vietnam taught Holbrooke “a certain humility,” says James F. Dobbins, director of RAND’s International Security and Defense Policy Center, who served as a special envoy for Afghanistan during the Bush administration, “a recognition that even with all the power and influence that the U.S. wields, it can still have unhappy outcomes. But that diplomacy is also an important tool. And personalities make a difference.”

But Holbrooke’s humility has its limits. As a diplomat, he has relied heavily on his own ability to persuade other people, even the most recalcitrant, of the merits of his views. “He’s someone whose approach to diplomacy is one of sort of grabbing people

“...this is not a lofty blueprint but an astute policy guide, communicating the urgency for reform in health care, banking and transportation without resorting to shrillness or stridency.”

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Rules of Disengagement: The Politics and Honor of Military Dissent

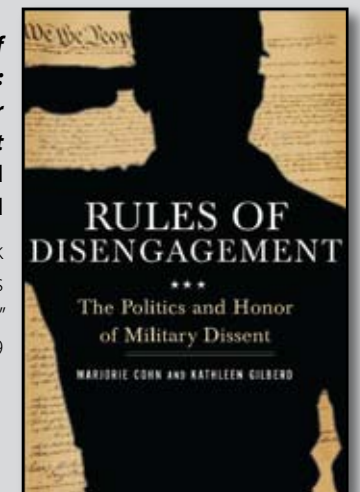
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by the scruff of the neck and shaking them till they indicate a willingness to do what Holbrooke wants to have done,” says Boston University’s Andrew Bacevich, author of *The Limits of Power: The End of American Exceptionalism*.

Like the best and the brightest of the 1960s and 1970s, Holbrooke seems to have led a charmed life. He grew up in Scarsdale, New York, and went to Brown University before gravitating toward the Foreign Service. After his tour in Vietnam, he worked in the Johnson White House. Over the years, he climbed to the highest levels of diplomacy, eventually serving as U.N. ambassador and as assistant secretary of state. During the years that President George W. Bush was in office, Holbrooke worked for Perseus LLC, a private-equity firm, and served as chairman of the Asia Society.

In his current role, Holbrooke has emphasized the need to examine Afghanistan and Pakistan not as separate issues, as diplomats have done in the past, but as one that can only be resolved by considering both countries (known in foreign-policy circles by the single name “Afpak”), as well as the role of other nearby nations such as India. “He has seen the cost of conflict in terms of human lives with his own eyes going back to the early 1960s in Vietnam,” Secretary of State Hillary Clinton recently told *The New York Times*. “And I know from many, many hours of conversation, going back many years, that he has a pre-existing concern for Afghanistan. As a young diplomat, he traveled through Afghanistan. During the last eight years as he pursued his many interests, and particularly his work on behalf of the Asia Society, he returned to Afghanistan and Pakistan and the neighbors.”

Holbrooke’s mission in the region is part of the larger debate about the use of U.S. power. President Bush championed the United States as a nation-builder and used that role as part of his justification for leading the country into wars in Iraq and Afghanistan. Like his predecessor, President Obama believes that the United States can act as a positive force in the world. But Obama has said he wants to approach the matter of U.S. intervention in a more sophisticated way, involving the support of other nations and also negotiations with countries such as Iran. For that, he will rely heavily on Holbrooke. “His job is to figure out what is the proper combination of tactics and strategy to achieve this goal,” Kenneth Bacon says.

Not everyone agrees that the United States can, or should, continue to exert its influence on the world stage. “The U.S. is a declining power,” Bacevich says. Nevertheless, he adds, “not only Holbrooke, but all of the senior appointments that Obama has made, probably reject that view.”

OBAMA HAS SAID THAT he and his top aides are postponing major announcements about their Afghanistan strategy while they review their options. In the meantime, he is sending in additional troops to try to tamp down the violence in that coun-

try. This may seem like a holding pattern. Yet there is nothing provisional about the 17,000 soldiers and marines who will soon be deployed (a 50 percent increase of the current troop levels) or the 581 men and women in the armed forces who have already died as a result of the conflict in Afghanistan.

The long-term objectives are clear: Afghanistan needs a stable, nationwide government that is able to control the terrorist elements and violent extremists—and an economy that is not based on the poppy trade. Pakistan also needs a unified government—one that can protect human rights, live peaceably with India, and control its own military and intelligence service as well as its nuclear weapons. As a special representative, Holbrooke will attempt to encourage Afghan and Pakistani leaders to reach these goals. In the meantime, U.S. diplomatic efforts will likely focus on smaller efforts, such as sending agricultural advisers to help Afghan leaders develop crops other than poppies. Pakistan is finally seeing the results—in education and road-building projects—of the \$750 million that Bush dedicated to developing its tribal areas, which have been a breeding ground for terrorists. Obama has promised to increase these funds this month. These undertakings are not as significant as the creation of functioning central governments—but they are steps in that direction, and they require U.S. diplomacy. The question about Holbrooke is whether he can be humble enough to settle for piecemeal accomplishments.

For all the talk about Afghanistan turning into another Vietnam, the best comparison is actually closer in time and geography: Iraq. The counterinsurgency tactics that were used in Iraq, ranging from the elimination of so-called high-value targets to the training of local security forces, are integral parts of the developing military strategy in Afghanistan.

In Iraq, U.S. forces tried to obtain information from people in local villages and towns to help them track down high-value targets. Some of these suspects were killed in airstrikes. Others were captured and brought in for questioning. In a similar manner, U.S. forces have attacked houses and buildings in Afghanistan in an attempt to capture high-value targets and have inadvertently killed civilians in the process. Many military planners believe that—with just a little fine-tuning—these tactics, which were deemed successful in Iraq, can be replicated in Afghanistan. (Sen. Dianne Feinstein recently announced that the U.S. is using a base in Pakistan to send out CIA Predator aircrafts to patrol the area and eliminate high-value targets.) And with the nuclear weapons in the region, the stakes are perhaps even higher.

Holbrooke knows as well as anyone who has visited Afghanistan that existing local police are simply not able to tamp down the violence or to contain the insurgents. So, just as American soldiers and marines have done in Iraq, they are now attempting to train security forces in Afghanistan. “The only way



FOR ALL THE TALK ABOUT AFGHANISTAN TURNING INTO ANOTHER VIETNAM, THE BEST COMPARISON IS ACTUALLY CLOSER IN TIME AND GEOGRAPHY: IRAQ.

CHARLES DHARAPAK / AP IMAGES

we’re going to win this thing is to get the police stood up,” a marine told me, remembering 2006 when he was helping to train Iraqi police officers. Many of the marines who helped train police officers in Iraq are working toward a similar goal in Afghanistan, hoping to have a critical mass of military and local police ready before the fall elections. “You don’t have true security till you have a cop on every corner,” one marine says. “Not a soldier on every corner.”

The success of these tactics in Afghanistan will depend partly on resources. The U.S. poured huge numbers of troops and cash into Iraq in order to achieve some measure of stability in that country. The violence in Iraq was so severe that it took a significant number of additional troops—the surge—to instill a sense of security. The U.S. also spent a lot of money on monthly stipends to the so-called Sons of Iraq to ensure that they would help keep the peace, as well as millions of dollars (exact numbers are not known) in payments to local tribal leaders through U.S. contracts for reconstruction and other projects. Are Americans willing to also make that kind of commitment to Afghanistan? Before leaders have to answer that question, they are banking on Holbrooke achieving his goals in the country.

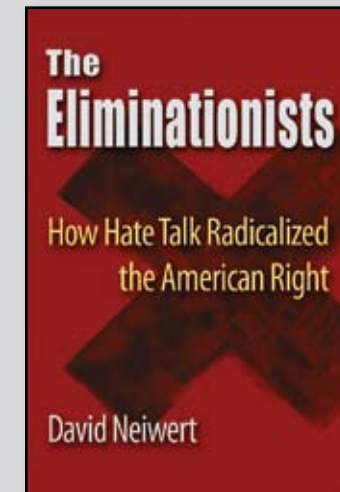
Whether the diplomatic lessons of Vietnam and the strategic lessons of Iraq have any resonance in Afghanistan remains to be seen. As Gen. Sir Gerald Templer, a British commissioner who served in Malaya, wrote in 1952, “The shooting side of the business is only 25 percent of the trouble and the other 75 percent lies in getting the people of this country behind us.” Those words have rung true for the United States in every conflict since Vietnam. Gaining the support of the local population in Afghanistan and Pakistan—and making sure that the new American policy in these countries wins supporters, not enemies—is at the heart of Holbrooke’s mission.

Back in the United States, soldiers in Oak Grove, Kentucky, and servicemen and women in other cities and towns are preparing for deployments to Afghanistan, but their ranks are being slowly depleted through attrition and fatigue (and death). The American public will be eager to see benchmarks of success. “America will show impatience with Afghanistan, especially in times of domestic economic travails,” says Bruce Hoffman, a professor in the security studies program at Georgetown University. “And progress has to be achieved in a short period of time.”

But perhaps the quickest progress will be made with a time-honored wartime technique of previous administrations: redefining success. In the past, the markers of progress in Afghanistan have been the establishment of a functioning democracy and the creation of a hospitable place from which U.S. military forces can fight terrorism. RAND’s James Dobbins sets a different tone. “We’ll be succeeding when there are less civilians getting killed next year than there were this year,” he says.

It is a more humane kind of measurement—and perhaps easier to achieve. But of all the agonizing series of tactical and diplomatic dilemmas facing Obama, Holbrooke, and Petraeus in Afghanistan and Pakistan, perhaps the biggest problem is within themselves. Americans always think there is a solution to these endlessly complex conflicts of nation-building. And sometimes, there isn’t one. **TAP**

The Eliminationists describes the malignant influence of right-wing hate talk on the American conservative movement. Neiwert argues that the broader conservative movement has metastasized into something not truly conservative, but decidedly right-wing and potentially dangerous.



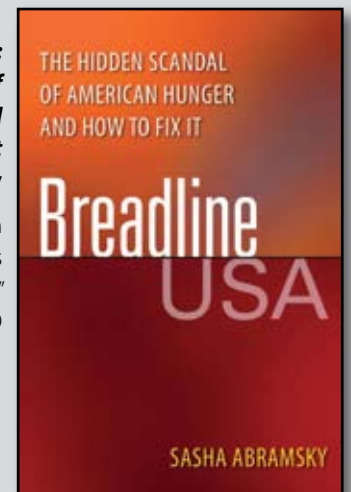
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The Radical Minimalist

Obama's new regulatory czar likes market incentives. Will they work?

BY ROBERT KUTTNER

*Do I contradict myself? Very well then I contradict myself,
(I am large, I contain multitudes.)*

—WALT WHITMAN, “SONG OF MYSELF”

Barack Obama is best described as a “visionary minimalist,” according to Cass Sunstein, the man who will oversee all of the new president’s regulatory policies. If this phrase seems an oxymoron, that’s in character. Paradox is Sunstein’s signature. A prolific intellectual and author or co-author of some two dozen wide-ranging books, Sunstein, 54, taught law and political science at the University of Chicago for 27 years before moving to Harvard in 2008. He could easily be Obama’s first nominee to the Supreme Court.

Sunstein’s new job is director of the Office of Information and Regulatory Affairs (OIRA), a powerful post first used under Ronald Reagan mainly to block regulations. OIRA’s staff is required to apply cost-benefit tests to regulations, often overstating costs and undercounting benefits. Under Republicans, the office has been especially aggressive in thwarting environmental, safety, and health rules. Even in the Clinton era, the financial deregulators at Treasury rolled over the forces alarmed about systemic risks, and OIRA was no counterweight. Given that the economic collapse is emphatically a regulatory failure, how will Sunstein use an office that was explicitly created to stymie regulation?

His own history suggests a mixed verdict. Like Barack Obama, Sunstein is brilliant, principled, complex, and basically a liberal but also a seeker of common ground. Both men revel in being hard to pigeon-hole. In good University of Chicago fashion, Sunstein prefers market-like incentives to get businesses to behave themselves and consumers to optimize their well-being. This process is described as “libertarian paternalism,” another characteristically Sunstein oxymoron meaning subtle government interventions that prompt consumers to make the decisions they would voluntarily choose if they were as smart as he is.

Sunstein’s latest book, *Nudge*, co-authored with University of Chicago economist Richard Thaler, observes that ordinary people make ill-informed financial choices because they lack adequate time or knowledge or because the deck has often been stacked in favor of bad consumer decisions by self-serving merchants. There are really two kinds of people, Sunstein and Thaler puckishly write, “Econs” and “Humans.” Econs are the hyper-

rational creatures imagined by University of Chicago economists. Humans are the rest of us. Econs, somehow with infinite time, carefully weigh every economic decision. Humans decide on the fly and make systematic mistakes. By using public regulation not to dictate outcomes but to alter “choice architectures,” enlightened government can help consumers to make better decisions, both for their own well-being and to discipline producers. Thus does libertarian paternalism make markets work better.

A favorite Sunstein example is the 2006 Pension Protection Act, which changed the default option for workers whose employers offered tax-deferred savings plans. Under the law, workers now must choose to opt out, rather than opt in, which was the previous rule. This simple constructive “nudge” has dramatically increased both employee participation and savings rates.

Within the University of Chicago bubble, Sunstein is a liberal outlier and provocateur, tweaking his more fundamentalist colleagues about their unrealistic assumptions—but then cycling back with his own sublime restatement of creative government use of market incentives. However, in the context of the wider regulatory challenges facing the Obama administration and the collapsing economy, the entire sensibility seems a little too redolent of the rarified air of Hyde Park; a little too directed at provoking the irritation or grudging admiration of Chicago colleagues; a little too apologetic about the affirmative use of government; and perhaps too elegantly miniature for the immense crisis we confront. Sunstein is like a man who trained for a chess match and finds himself thrown into a triathlon.

As this article was going to press, Sunstein was awaiting Senate confirmation and declined all requests for interviews. (It should also be said that Sunstein was on the founding editorial board of this magazine and over the years has written several admirable pieces for the *Prospect*.)

Today the challenge of regulating capitalism is not one of subtle fine-tuning but of rebuilding basic public safeguards after a catastrophic free-market orgy. Can this be reconciled with Sunstein’s ideal of regulatory minimalism?

IN A DISCUSSION ON transformative presidencies held last September at the John F. Kennedy Presidential Library and Museum in Boston, Sunstein described Obama as “someone who has spent a lot of time at the University of Chicago and someone who very much appreciates the power and the values associated with

free markets. He wants to use them rather than to reject them.”

Perhaps projecting his own views onto his president, Sunstein also said of Obama:

He wants to ... rely on markets and to tell the skeptics, “We are going to use market incentives. The Republicans were right all along to reject command-and-control regulation, and Paul Krugman hated that, [but] the Republicans were right on that. We’re going to take on the market enthusiasm in the interest of our goal, which is less reliance on forms of energy that simultaneously endanger national security, hurt the economy, and threaten to change the world’s climate.”

This kind of libertarian paternalism is highly creative as far as it goes. But to pursue the example of the employees helpfully “nudged” into joining savings plans, the deeper problem today is that fewer companies offer pensions at all, and tax-deferred savings schemes such as 401(k)s (which aren’t real pensions) are taking a beating from the stock-market collapse. Systemic reform requires more than a nudge; it may even require dreaded commands and controls like the expansion of Social Security.

By the same token, financial reform will likely take more than nudges. Sunstein’s idea of choice architectures is aimed largely at naive Humans. But the systemic abuses were perpetrated by Econs—sophisticated insiders who cooked up system-threatening inventions such as credit-default swaps. Such transactions were exempted from regulation on the premise that consenting adults knew what they were doing. However, some market innovations are so inherently dangerous that they may simply need to be prohibited.

In *Nudge*, which appeared in 2008, Thaler and Sunstein even had a kind word for sub-prime loans, arguing that “sub-prime lending ... offers credit to those who could otherwise not borrow.” But in fact, about half of sub-prime loans went to people who qualified for conventional loans—they were steered to sub-prime because the lender stood to make more money.

Command and control, as an all-purpose University of Chicago pejorative, gets a bum rap. Even in normal times, the command to drive on the right and stop for red lights works better than any system of market incentives. By the same token, repairing the financial collapse will very likely take a blend of better incentives and outright prohibitions.

Sunstein has written on a stunning range of topics, from animal rights and feminism to cost-benefit analysis and the Internet. He so enjoys the role of heretic that it can be difficult to tell when he is just provoking and when he really means it—sometimes even for Sunstein himself. His astonishing productivity on complex subjects occasionally leads to glibness. In *Nudge*, he and Thaler write glowingly of the market-enhancing value of mandatory disclosures: “Before the phaseout of ozone-depleting chemicals, warning labels were required for products containing such chemicals.” The alert reader has to be paying careful attention to notice that these dangerous chemicals were not “phased out” thanks to market incentives. They were banned by government, and not without political struggle. In *Nudge*, invoking the economic benefits of



Cass Sunstein,
the new director
of the Office of
Information and
Regulatory
Affairs

greater “choice,” Sunstein and Thaler also make a classically Chicago argument that consumers should be allowed to trade away their right to sue for medical malpractice in exchange for lower premiums, without acknowledging the different effect on the rich and the poor, who would be more likely to take the offer and suffer the consequences.

This kind of reasoning, especially Sunstein’s qualified embrace of cost-benefit analysis, has alarmed many liberals. In his 2003 book, *Risk and Reason: Safety, Law, and the Environment*, Sunstein acknowledges that the benefit of a particular regulation, for example an Environmental Protection Agency rule regulating arsenic in drinking water, could vary from \$13 million (well below the cost) to \$3.4 billion (far above the cost), depending on the economic assumptions used in the model. But on balance, Sunstein considers cost-benefit tests a useful tool as long as greater weight is given to potential benefits. Critics respond that when something as momentous as climate change is at stake, cost-benefit measures, such as imperfectly informed consumers’ “willingness to pay” current costs, are misleading and dangerous. After Sunstein’s appointment was announced, a group of scholars from the Center for Progressive Reform wrote that the test of “willingness to pay” for regulatory protections is inappropriate “when the benefit in question is a non-market good—the value of a child’s health or clean drinking water, for example.”

Economist Joseph Stiglitz, who won the Nobel Prize for insights not unlike Sunstein’s about the systematic mistakes of economic actors dealing with imperfect information, takes the inference in a very different direction. Stiglitz flatly counsels more regulation, with no apology to Chicago economists. But in the party of Obama, critics like Stiglitz have not been invited to the dance.

MANY OF OBAMA’S EARLY responses to the crisis of deregulation have already been far stronger than mere nudges. He has reversed some of the Bush administration’s more extreme directives, such as the countermanding of stronger clean-air

regulation. At a Jan. 30 White House event on working families, Obama issued three orders making it easier for unions to organize. His budget requires states to broaden unemployment-insurance coverage or lose federal funding. Some might call these command-and-control regulations. Circumstances have required stronger medicine than market incentives.

In his first major presidential speech on regulation, given Feb. 26, Obama declared that “the choice we face is not between some oppressive government-run economy or a chaotic and unforgiving capitalism. Rather, strong financial markets require clear rules of the road, not to hinder financial institutions, but to protect consumers and investors, and ultimately to keep those financial institutions strong.” This sentiment is surely visionary—and far from minimal.

At the same time, however, Obama has appointed regulatory officials more in the Sunstein mold. His Security and Exchange Commission chair, Mary Schapiro, used to head the financial industry’s self-regulatory body, FINRA, which missed the major abuses that led to the financial collapse. His chair of the Commodity Futures Trading Commission (CFTC), Gary Gensler, while a Treasury undersecretary in the Clinton administration personally instructed then-CFTC Chair Brooksley Born to cease her efforts to intensify regulation of derivatives.

Yet, as they say in the law schools, circumstances alter cases. The intriguing question going forward is whether people with a prior commitment to the genius of markets, such as Sunstein, Schapiro, Gensler, Treasury Secretary Tim Geithner, and White House economic chief Larry Summers, can shift ground with changing times. Sunstein is not at liberty to give interviews, but his frequent co-author Richard Thaler tells me in an e-mail exchange:

The purpose of our writing *Nudge* was not to say that every problem can be solved by nudging alone. Rather, we thought of it as an exercise to investigate how much it is possible to achieve via choice architecture alone, without forcing anyone to do anything. Our conclusion is: much indeed. This is, of course, not to say that there should not be any “shoves.” Drunk driving is banned, not merely nudged. So is asbestos in our ceilings. Kids are not allowed to take guns into schools. We approve of these bans, and others.

At the same time, Thaler adds in good Chicago fashion that if the last generation of regulators failed so badly, what makes us think their successors will do any better? “Regulators,” he reminds me, “are Humans too.”

The Chicago skepticism of government intervention tends to leave out one element—power. Some regulation is not just about making markets work better but about deliberately transforming relative economic and political power. And the presence or absence of effective and public-minded regulation is less about technical capacity and more about who governs. The rare eras of effective financial regulation (and expansive

social investment) have occurred during periods when the usual power of economic elites was temporarily offset by the power of ordinary people unnerved by economic crisis and then mobilized by presidential leadership. This described Franklin Roosevelt, and it could also describe Barack Obama.

IN THIS REGARD, SUNSTEIN, paradoxically as always, is also a big fan of the other Hyde Park. In one of his most compelling books, *The Second Bill of Rights: FDR’s Unfinished Revolution and Why We Need It More Than Ever*, Sunstein endorses Roosevelt’s 1944 call for guaranteed economic rights—to a job, education, decent housing, and health care. Here, he writes as a highly interventionist left-liberal. Indeed, what makes Sunstein such a rich thinker is that in his wide-ranging explorations, he, like Walt Whitman, doesn’t mind contradicting himself. Sunstein writes:

In a nutshell, the New Deal helped vindicate a simple idea: No one really opposes government intervention. Even the people who most loudly denounce government interference depend on it every day. Their own rights do not come from minimizing government but are a product of government. The simplest problem with laissez-faire is not that it is unjust or harmful to poor people, but that it is a hopelessly inadequate description of any system of liberty, including free markets. Markets and wealth depend on government.

This conception of economic intervention obviously goes far beyond “libertarian paternalism.” Applied today, it would require a wholesale restructuring of the health system, over the fierce objections of potent private industries. It would mean “coercion” of the few for the broad benefit of the many. And it would place government squarely in charge of allocating very substantial resources. In this incarnation, Sunstein recognizes that it is not just government but market forces that often stunt human possibility.

How do we reconcile the massive government intervention of Roosevelt’s *Second Bill of Rights* with the minimalism of *Nudge*? Are we for large-scale government intervention, or not? Well, sometimes we are, sometimes not, depending on the circumstances and the author’s current interests and moods. Sunstein’s intellectual mansion has many rooms.

Like Roosevelt, Barack Obama is a liberal at heart who is also a pragmatist. But where Roosevelt’s advisers ran the gamut from orthodox to radical, Obama is relying mainly on brilliant economic moderates. Nonetheless, many of Obama’s centrist intellectuals like Sunstein have more than a single sensibility. There is a whole team of rivals inside Cass Sunstein’s head.

Roosevelt proudly claimed the liberal mantle. Obama, governing in a very different time, often dresses his liberalism as mere pragmatism, and his call for tougher regulation as nothing more than the perfection of markets. That is a bit of a stretch, but politically, the recipe may even work. Economically, it had better work. **TAP**

WHERE ROOSEVELT’S ADVISERS RAN THE GAMUT FROM ORTHODOX TO RADICAL, OBAMA IS RELYING MAINLY ON BRILLIANT ECONOMIC MODERATES.

Culture & Books

“‘[FDR] wanted his conscience kept for him by somebody,’ she later explained, and she prided herself on being the one to keep it.”

— PAGE 38



MEDIA

NAUGHTY MOMMIES

Are bloggers who proudly identify as “bad moms” challenging ideals of motherhood or reinforcing them?

BY KARA JESELLA

AMOTHER TELLS HER CHILD THAT Häagen Dazs is a special medicine for mommies because she doesn’t want to share. Another purposely ruins her daughter’s favorite T-shirt with red nail polish. One joins Weight Watchers so she has a place to go by herself once a week. Another mom admits, “I can’t wait to wean my daughter so I can get stoned again.”

ERIC HANSON

These are some of the “mommy misdeemeanors” revealed in the book *True Mom Confessions*, published this month. In the introduction, author Romi Lassally

explains that she launched TrueMom-Confessions.com in 2007 as a forum for women to share their transgressions. “Online, under the veil of anonymity and with 24/7 accessibility, I believed that the conversation about the REAL and not the IDEAL of motherhood could flourish,” she writes. The book is a compendium of Lassally’s favorite admissions, which pour in daily from all over the country.

Welcome to bad-mom culture, in which women don’t just own up to their maternal shortcomings—they flaunt them. Moms have been publicly admitting to

their mixed feelings about motherhood at least since 1976, when Adrienne Rich compared herself to a monster in the feminist classic *Of Woman Born*. Erma Bombeck and Roseanne Barr made high-profile careers out of their domestic naughtiness—Bombeck as a columnist in the 1970s and 1980s, Barr with her TV sitcom in the 1990s. The “momoir” genre took off in 1994 after Anne Lamott published *Operating Instructions*, a diary of her parenting mistakes and triumphs during her son’s first year. But with the advent of confessional culture and the ascension of blogs and virtual message boards, bad-mom culture and its gleeful impropriety have flourished.

This is evident even from the names of the Web’s many mommybloggers. With their almost macho grandstanding, each one is more rebellious-sounding than the next. A Suburban Mom: Notes from an Asylum and Psycho Supermom make much of their own craziness. Other mothers tout their questionable habits, as with Adventures of Leelo and his Potty-Mouthed Mom and Martini Mom (tagline: “Like a soccer mom ... with vodka”). A recent post on Bad Mom—not to be confused with Bad Mummy or Bad Mutha Blogger—states, “It seems like my house will never, ever be completely clean & orderly,” requests, “Call me in for dinner when you’re done, please?” and features a photo of a coffee mug next to a beer.

In some ways, these maternal rebels are simply reacting to the very real anxiety that women have always felt about being perceived as bad mothers. Though there is a smattering of bad-dad Web sites, the idea is practically redundant: Most any sitcom father makes clear that paternal figures are supposed to be a little bit bad, an antidote to the steadfast mom. A bad mother? Now that’s a scandal. And the media loves to provide wall-to-wall coverage of the most extreme examples.

In 1995, newspapers and television shows covered the case of Susan Smith, the mentally ill woman who drove her car into a lake with her two sons in the back seat; this year, they covered Leatrice Brewer, a mother who claimed that she drowned her three children because she believed they were victims of a voodoo attack.

On a superficial level, bad mommies decry the maternal ideal, but they, too, have their own hierarchy of mommy goodness.

At CNN, Nancy Grace obsesses over “tot moms” (mothers of toddlers) who kill or let their children get kidnapped. And mothers—especially mothers of celebrities or celebrity mothers—are likely to be vilified for lesser crimes. Lindsay Lohan’s mother, Dina, was disparaged for partying with her daughter as if she were a peer, not a parent. Kathy Hilton was blamed for her lax parenting when her daughter Paris’ sex tape was leaked. And perhaps the ultimate example is Britney Spears, deemed such a bad mother that her sons were taken away from her and given to her ex-husband Kevin Federline—his regular presence on the Vegas strip-club circuit not as questionable as her shaved head or incoherent ramblings.

It’s clear that Leatrice Brewer and Susan Smith were bad moms—so mentally unhinged they were a threat to their children—but most of the time, the parameters are fuzzy. Our society is constantly seeking ways to rate mothers: The Internet provides an endless number of articles, blog posts, and quizzes asking: “Are you a bad mom?” “Is Britney a bad mom?” “Does Facebook make you a bad mom?” That these are questions is telling. And in a culture in which you can be branded a bad mother for spending too much time on Facebook, it makes sense that women are reacting by defiantly blogging under names like White Trash Mom (tagline: “Perfect moms don’t exist, real motherhood is messy”). It’s not just a reclamation but a preemptive strike: Better to call yourself a bad mom and beat the naysayers to the punch. And best if you can follow it up with a flippant “so what?”

It’s an adolescent retort, but that’s part of the point. Bad-mom culture allows women who have become the ultimate good girls—responsible, nurturing, caregiving—to claim the bad-girl traits of individuality, sexuality, and youth that motherhood threatens to take away. Sometimes, pathos peeks out from

behind the bravura. The mommyblogger at Fear and Parenting in Las Vegas, who has just purchased a new car that’s grown-woman practical, not teenage-girl flashy, worries if she is bad enough: “I can still be one tarty Honda-driving Ballet Mom. Right?” she asks.

There is a feminist impulse in these mothers’ desire to tell the truth about their life—a belief that simple honesty can perhaps change the outdated and impossible ideals of motherhood. These moms aren’t just bad; they’re mad—about how society treats them, about the ideal they are forced to live up to, about the parenting experiences that they still feel they aren’t allowed to talk about openly. To the women telling these gross-out tales of babies’ bodily functions and domestic incompetence, all while dropping copious references to their need for a drink, participating in bad-mom culture is a political act.

“In telling these stories, and in recognizing these stories as legitimate and important,” writes Canadian blogger Her Bad Mother, “we are sharing—we are making public, we are lifting the veil on—the experience of motherhood and demanding that it be taken seriously as something that contributes to—that is, arguably, the backbone of—civil society. ... We are telling each other that there is community in parenthood, and that such community should be sought out and embraced.”

That sense of community is what a lot

of mommybloggers are striving for. They are trying to create a place that provides catharsis and a respite from guilt. When one woman blogs about being mad at her husband for not spending enough time with the kids or about lying to her son about the time so she can put him to bed early, five women write in the comments section that they have done the same thing or something equally bad or that it’s not that bad at all. (Saying “I’m a bad mom” to the mommy-blogger community is a little like telling your best friend “I’m fat.”) At last count, there



were over 50 responses to Her Bad Mother’s self-described “rant.” “YES! Yes to everything you just said!!! Amazingly written, it’s like you took the words right out of my mouth and then made them so much better,” wrote a commenter named Amy.

That’s the kind of support you’d expect to hear in what is essentially a virtual consciousness-raising group. But just as the “personal is political” feminists of the 1960s and 1970s were criticized for their focus on white, middle-class issues, the same could be said of the online communities where bad-mom culture flourishes today. For women of color and working-class women, the stereotype of being a bad mother may connote not a tongue-in-cheek drink during a play date but long-held stereotypes about so-called “welfare queens” and absentee parenting. It’s hard to deny the vast gulf between the stay-at-home mom who feels mild guilt when she serves the occasional microwave dinner to her kids and the single mother with two jobs whose kids come home to an empty house and frozen dinners most nights. But those working-class moms aren’t blogging several times a day—or at all. And so the self-christened “bad mommies” remain largely unconcerned with the class divide.

When mommybloggers do try to step outside of their comfort zone, blogging not about getting away from the kids for a weekend in Vegas but about more serious issues, they are often vilified for it. One mother recently told me that after

ERIC HANSON

writing a single sentence about putting her daughter on medication for attention-deficit/hyperactivity disorder, she could not believe the vicious comments she received arguing that she was “poisoning” the child rather than dealing with her behavioral issues. Certainly, message boards—where posts are truly anonymous—make clear the limits of just how bad a mom is allowed to be. A recent post on TrueMomConfessions.com from a mother who claims she wishes she had an abortion did not go over well. A group of commenters discussing the woman who recently gave birth to octuplets devolved into accusations and name-calling, with one commenter posting: “Go back to school and learn to read before you comment because you seriously look stupid.”

On a superficial level, bad mommies decry the maternal ideal, but they, too,

have their own hierarchy of mommy goodness. And when one of them steps over the line on any number of topics—by writing about giving her child medication or not breastfeeding or wishing she had had an abortion—bloggers who claim to flout the distinctions between “good moms” and “bad moms” often retaliate, censoring other women and reinforcing this ranking system instead. That’s when a community that sees its purpose as making space for mothers to tell the truth about their lives can feel as stultifying as the world they are trying to replace. **TAP**

Kara Jesella frequently writes about culture for The New York Times and other publications and is the co-author of How Sassy Changed My Life: A Love Letter to the Greatest Teen Magazine of All Time.

BOOKS

POLITICAL ISLAM 101

ENGAGING THE MUSLIM WORLD BY JUAN COLE
Palgrave MacMillan, 282 pages, \$26.95

SOWING CRISIS: THE COLD WAR AND AMERICAN DOMINANCE IN THE MIDDLE EAST BY RASHID KHALIDI, Beacon Press, 308 pages, \$25.95

DREAMS AND SHADOWS: THE FUTURE OF THE MIDDLE EAST BY ROBIN WRIGHT, Penguin Press, 464 pages, \$26.95

BY DANIEL LEVY

FEW IF ANY FOREIGN-POLICY challenges will command the attention of the Obama administration more than those emanating from the broader Middle East. The scars of the Bush years are deepest there, adding to a long history of mutual suspicion between America and the Muslim world. As a step toward overcoming that distrust, President Obama has said he would deliver a keynote address to the Muslim world in a Muslim capital during his first 100 days in office (though we shouldn’t be surprised if that deadline slips). Among the people of the region there is a fragile sense of hope for a changed relationship because of who Barack Hussein Obama is and, perhaps even more, because of who he is not—George W. Bush.

Success in the region, or just improved relations between America and the Muslim world, will require more than a feel-good speech. It will take a fundamental re-evaluation of policies and a rediscovery of the long-dormant capacity to listen, empathize, and understand on terms other than one’s own. In their new books, Robin Wright, Juan Cole, and Rashid Khalidi all begin to map out that terrain. Any re-evaluation cannot wish away, or continue trying to blast or boycott away, the most potent nongovernmental social force in the region today—Islamism. A survey course, Political Islam 101, should be compulsory for Middle East policymakers, and they cannot be allowed to skip the class on distinguishing between the revolutionary destructive Islamists of

al-Qaeda and the reformist democratic-oriented Islamists of the Muslim Brotherhood (as troublesome as the latter may be across a range of issues).

If there were such a course, *Dreams and Shadows*, *Engaging the Muslim World*, and *Sowing Crisis* might all appear on the required reading list. When it comes to rethinking policy on political Islam, all three have much to offer. Cole has made engagement with political Islam the animating theme of his work, while Wright puts us in the room with leading Islamists, and Khalidi provides essential historical background, notably on the U.S. promotion of Islamism as the alternative to Soviet ideology during the Cold War.

Both Cole and Khalidi present their materials thematically—Cole from the perspective of America’s interaction with the Muslim world and the anxiety that each society has about the other; Khalidi from the vantage point of the Cold War, when American regional dominance developed and then took on even more imposing dimensions afterward. Wright takes us on a tour of eight regional destinations, introducing us at each turn to a triad of figures—autocrats, theocrats, and democrats—who will be shaping the future of the region, and her particular passion is for the latter. When she began her journey in 2006, the democrats were in the ascendancy, but by its conclusion they were cowering in the basement, to paraphrase former Jordanian Foreign Minister Marwan Muasher, who has his own fascinating book on the subject, *The Arab Center: The Promise of Moderation*.

Of the three books, Wright’s *Dreams and Shadows* is by far the longest but also probably the most accessible for the general reader. The book is replete with sociocultural insights and depictions of colorful characters, recounted by a keen journalistic observer. Wright is at her best, for instance, when contemplating what recent controversial Iranian movies such as *Under the Moonlight* or *The Lizard* tell us about contemporary Iran or when noting the proliferation of phone cards bearing the image of Hezbollah leader Hassan Nasrallah after the 2006

Israel-Lebanon War. In an ironic variation on the old “Where are they now?” genre, Wright tracks down former U.S. hostage takers in Tehran (now disillusioned with aspects of the revolution) and the topplers of Saddam Hussein’s statue in Baghdad (now equally disillusioned with the American occupation

depictions of liberal challengers to the status quo, Wright illuminates a Middle East that Americans rarely glimpse. In thoughtful and rich detail, she tells us about a new generation of women activists and their struggles, such as the story of Morocco’s Fatima Mernissi, author of the 1995 book *Dreams of Trespass: Tales*

the region’s Western-oriented reformers may also be a weakness of *Dreams and Shadows*. In each of the eight destinations in the region where Wright takes us to meet a democrat, a theocrat, and an autocrat, she provides a detailed description of the interview setting as well as the interviewee’s appearance and public role. The format becomes a bit predictable and belabored, though she does serve up a good read, and in breaking bread with Islamist leaders from Hamas’ Khalid Mashaal to Hezbollah’s Hassan Nasrallah, she puts flesh and bones on characters who often appear as two-dimensional cardboard cutouts in the American media. Demystification is a necessary station on the path to more mature policy. Wright has an impressive capacity to open a space for dialogue that America’s governmental decision-makers are often legally prohibited from conducting.

But in discussing political Islam or the challenges of democracy, *Dreams and Shadows* is strangely inattentive to the role of the United States itself. *Sowing the*

Crisis and *Engaging the Muslim World* fill that gap by the spade-full. If Wright is about personalities, Cole and Khalidi are all about context—historical, contemporary, and geo-political—and especially the shaping role of American influence.

A professor of history at the University of Michigan, Cole has acquired a wide reputation for his award-winning blog on Middle East politics, Informed Comment. Here he sets out to examine “the myths and realities that provoke Islam Anxiety in the West, and the grounds, legitimate and illegitimate, for America Anxiety in the Muslim world.” Each chapter introduces and then critiques another form of anxiety—U.S. dependence on oil from Muslim states, Muslim radicalism (which he usefully distinguishes from Muslim activism), Wahabism, and the challenges posed by Iraq and Iran and now Pakistan and Afghanistan. To bring home the analysis to an American audience, Cole draws analogies between Islamists and what he sees as their American counterparts. In

Cole’s vernacular, Salafi Jihadists are, for instance, best understood as fundamentalist vigilantes in the Timothy McVeigh or Waco mold, while Wahabis are akin to the Amish or Mennonites. That the paramilitary radical right in America draws on some of the same ideological sources as the right wing of the GOP does not make them synonymous, and for Cole the same criteria should be applied when considering al-Qaeda’s relations to the mainstream political Islamists of the Muslim Brothers. Not everyone will accept the comparisons, but it is a usefully provocative way of walking readers through the arguments.

Anyone familiar with Cole’s Informed Comment blog will not be surprised to discover that *Engaging the Muslim World* is rich in policy prescriptions across a diverse range of subjects. He is at his best when demolishing myths and dealing with complex issues. Can America make energy policy independent of Middle East oil considerations? For the next generation, Cole argues,

it cannot. He has timely and pertinent things to say about the role of regional diplomacy in stabilizing Iraq, what to do about Kirkuk, engaging Islamists in Pakistan, and addressing the Iranian nuclear program. Most important of all is his call for an honest, ongoing conversation of equals between America and the Muslim world.

Engaging the Muslim World’s most scornful moment is its critique of the disastrous and misinformed policies of the neoconservatives and the radicalizing and destabilizing effects they have had on the broader Middle East. Some of the omissions in *Engaging the Muslim World* are unfortunate. An examination of the Justice and Development Party and the role of political Islam in Turkey belongs here, and Hamas makes only a cameo appearance in the Iran chapter. But Cole has delivered an important book that members of the administration would be wise to read en route to the Middle East.

The role that the United States played

Any re-evaluation cannot continue trying to blast or boycott away the most potent nongovernmental social force in the region today—Islamism.

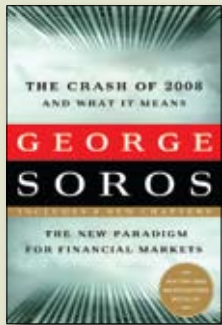
of Iraq). She explores the significance of the region’s youthful demographic profile and the potential impact of the new generation weaned on satellite TV, SMS, and the Internet. Her analysis of such matters as U.S.–Iran relations and the role that judges may play in advancing change in Egypt is astute.

Through her interviews with Islamist leaders and defenders of existing regimes, or in her enthusiastic, at times gushing

of *a Harem Girlhood*. Wright’s recounting of Mernissi’s efforts to secure equal rights in Morocco from within an Islamic discourse is a refreshing antidote to Ayaan Hirsi Ali’s recent book, *Infidel* [see Stephen Holmes’ review, “The European Dilemma,” April 2007], and the peddling by right-wing think tanks of the notion that Islamic and Western values are incompatible.

Yet Wright’s tendency to romanticize

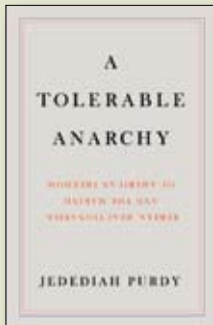
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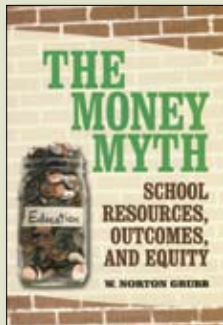
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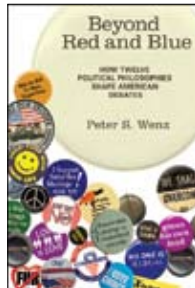


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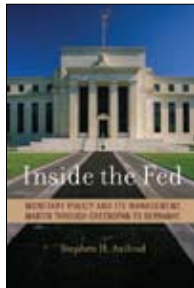
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in promoting Islam as an alternative ideology to the nationalist left in the Arab world forms only a backdrop of Cole's study, but that story takes center stage in Khalidi's *Sowing Crisis*. The two books complement each other nicely, as Khalidi discusses Lebanon, Turkey, and Palestine, as well as a possible source of future Gulf instability, namely Yemen, which Cole hardly mentions.

Sowing Crisis sets out, 20 years after the Cold War, to re-examine the effect of that era on the Middle East and the continuities as well as changes in policy since that time. Khalidi, the Edward Said Professor of Modern Arab Studies at Columbia University, builds a rather strong case that even during the Cold War, the United States exercised regional dominance. Since then and most especially under George W. Bush, America has combined unprecedented military engagement with an equally unprecedented diplomatic self-marginalization. If Wright's Middle East focuses on the internal dynamics of the region, Khalidi emphasizes external influence as the driving factor, even if the tail occasion-

ence to basing a huge and permanent physical military concentration in the region. Khalidi suggests that we should be concerned that the current economic crisis may create a dangerous incentive to ramp up elements of a war economy.

The global war on terrorism has replaced the Cold War as a defining frame of reference, acting as justification for this massively increased U.S. military role. Islamofascists have taken the place of Reds, and being "soft on terrorism" has become as terrifying a political accusation as being "soft on communism" once was. *Sowing Crisis* hardly bemoans the passing of the Cold War or its Arab world manifestation of competing camps led by Egypt and Saudi Arabia, but it does express a concern that a predictable and rules-based set of relations and constraints that held between America and the Middle East has been replaced by a rules-free environment, not least with regard to America's own actions.

Khalidi describes America's current Middle East posture as resembling a "stumbling giant." The United States is deeply invested and embroiled in the

But beyond Israel-Palestine, there has to be a move toward co-existence with non-al-Qaeda political Islamists. That is the message of these three books.

ally wags the dog (and that applied to both Soviet and American allies sometimes playing their superpower masters). *Sowing Crisis* provides a useful recap of a long and rich history of American undermining of democracy and support for authoritarianism in the Middle East, whether in Lebanon, Jordan, and Iran in the 1950s or in Palestine today.

Khalidi's emphasis on the relationship between the expansion of U.S. military bases and arms sales in the region and the domestic military-industrial complex is particularly timely given the current economic crisis. Being an American ally in the region has translated into massive arms purchases, whether or not they are subsidized. In recent years, the United States also shifted from maintaining a largely over-the-horizon security pres-

region yet also likely to be outflanked by small or medium-sized local actors such as Qatar or Turkey. But his criticism of the other international powers and many Arab regimes is also stinging. He condemns the failures of international actors such as the European Union, Russia, India, and China as well as the Arab states themselves to act responsibly and in their own interests. With only rare exceptions he describes the Arab states as being "no longer an actor or a force," unfavorably comparing them with non-Arab Middle East states such as Israel, Turkey, and Iran, which have demonstrated an independent capacity to act. And in one of the weak points of an otherwise impressive and highly useful book, *Sowing Crisis* in its final chapter descends into lists of seemingly

hurriedly laid out policy prescriptions that it would have been helpful to expand on in greater detail.

Though Wright, Cole, and Khalidi are not exactly wide-eyed optimists, they all see paths to a more hopeful future for the region and for America's relations with it. The Obama administration has so far displayed an interest in rethinking policy and re-engaging the region. It has empowered envoys to deal with the crisis in Afghanistan-Pakistan and the Arab-Israeli conflict, announced a plan to withdraw from Iraq, and sought a deal with Russia to help in pressing Iran on its nuclear program. It's a meaningful beginning, but the hard work of steering American policy to less choppy waters has just started.

Even Wright, who most emphasizes the potential of indigenous regional actors to drive change, recognizes America's decisive role in not undercutting or embarrassing reform efforts by guilt of association. For Cole and Khalidi, an inescapable centerpiece of any new strategy for the region must also be a genuine effort to address Palestinian grievances and to achieve a solution on Israel-Palestine. "Resolving this conflict in a way acceptable to all the major parties involved," Cole says, "should be the highest priority of [Obama's] administration. This step would resolve 90 percent of America's problems with the Muslim world." While that number is impossible to prove, it certainly has a powerful logic behind it.

But beyond Israel-Palestine, there has to be a move toward co-existence with non-al-Qaeda political Islamists. That is the message of these three books, and as the Obama White House speechwriters gear up for that address to the Muslim world, they might consult these studies to try to figure out how that new co-existence could become a reality. **TAP**

Daniel Levy, senior fellow at the Century Foundation and senior fellow and director of the Middle East task force at the New America Foundation, was an adviser in the Israeli prime minister's office and lead Israeli drafter of the Geneva Initiative.

BOOKS

TEAM OF RIVALS REDUX

NOTHING TO FEAR: FDR'S INNER CIRCLE AND THE HUNDRED DAYS THAT CREATED MODERN AMERICA BY ADAM COHEN, Penguin Press, 372 pages, \$29.95

THE WOMAN BEHIND THE NEW DEAL: THE LIFE OF FRANCES PERKINS, FDR'S SECRETARY OF LABOR AND HIS MORAL CONSCIENCE BY KIRSTIN DOWNEY Doubleday, 458 pages, \$35.00

BY LIZABETH COHEN

OBAMA-WATCHING HAS BECOME a new national—even international—sport. First, all eyes were glued to his miraculous triumph over seven opponents in the primaries, followed by a remarkable victory over John McCain. Next came "picking a Cabinet" as Americans witnessed a selection process touted for careful vetting descend into allegations of financial misconduct, tax evasion, and conflicts of interest. Now attention has turned to Obama's behind-the-scenes work with his inner circle as he tackles the biggest challenge of all—a deepening depression.

For months, commentators have likened Obama's situation to Franklin Delano Roosevelt's when he took office in 1933. Both inherited a failing economy from a Republican predecessor who clung to free-market nostrums when greater federal intervention was needed. Then each new president acted boldly upon inauguration and harnessed a new technology—radio in 1933, the Internet today—to bolster confidence as troubles mounted. In both eras, liberals pinned hopes for fundamental reform on a man of centrist tendencies.

As David Axelrod, Rahm Emanuel, Timothy Geithner, Christina Romer, Eric Holder, and the rest of the gang are becoming household names—Hillary Clinton and Larry Summers already were before they signed up—interest is growing in how they are jockeying for turf and adapting to the pressures the administration now faces. Roosevelt watchers no doubt wondered the same about the people he brought together at the top of his administration.

Two recent books that take as their

subject five key figures in FDR's inner circle during his first hundred days as president provide fascinating answers to that question. The press—and possibly President Obama himself—has fixed on comparing his Cabinet to Abraham Lincoln's "team of rivals" as recently conceptualized in Doris Kearns Goodwin's bestseller by that name. But, as Adam Cohen demonstrates in his new book, the parallel to FDR may be more compelling. What Cohen (no relation) calls "the most diverse Cabinet in history" consisted of three Republicans as well as the expected Democrats, representatives from the South and West as well as the Northeast and Midwest, two Catholics, the first woman ever, and by 1934 a Jew. Roosevelt deliberately surrounded himself with advisers expressing conflicting points of view in order to weigh the alternatives before him. Cohen shows us a president, much like Obama, who valued wide-ranging advice but then trusted his own judgment.

Five members of Roosevelt's "team of rivals" emerge from these two books. The most developed figure is Secretary of Labor Frances Perkins, the first woman to serve in any Cabinet, who is one of Cohen's protagonists and the subject of a fine biography by Kirstin Downey. Like Secretary of the Interior Harold Ickes, Perkins served the full 12 years of FDR's presidency. She set, and mostly accomplished, the New Deal's progressive agenda of unemployment relief, large-scale public works, minimum-wage and maximum-hour laws, a ban on child labor, and a permanent system of social security. Only health insurance eluded her. With special access to FDR's ear—

having had it already in New York state when he was governor and she served as his industrial commissioner—Perkins managed to overcome his conservative fiscal tendencies and instinctive wariness of “the dole.” “He wanted his conscience kept for him by somebody,” she later explained, and she prided herself on being the one to keep it.

The other two liberals in FDR's early Cabinet were Harry Hopkins and Henry Wallace. Hopkins had also known Roosevelt in New York state, where he was a prominent social worker and headed the governor's relief agency. In Washington, he invented and directed the \$500 million joint federal-state relief program and went on to pioneer extensive public-works projects through the Civil Works Administration and the Works Progress Administration. Wallace, FDR's long-serving secretary of agriculture and a third-generation champion of the struggling American farmer, drafted the Agricultural Adjustment Act, best known for its plan to rescue the farm belt by paying

farmers to grow less and thereby proping up farm prices.

The centrist adviser in the hundred days was Raymond Moley. A Columbia University government professor who founded the Brain Trust during FDR's presidential campaign, Moley masterminded the rescue of the banks and the revival of public confidence in the finan-

budget slashing and opposition to public works held sway, but as Roosevelt himself became more convinced of the need for government spending, Douglas lost clout and eventually resigned.

As we watch Roosevelt's team maneuver for power, criticize one another to their boss, and fight it out in Cabinet meetings as well as behind the scenes,

An effective captain of a team of rivals prods his players to give their often conflicting opinions to strengthen his own ability to make decisions.

cial system through the declaration of a bank holiday and passage of the Emergency Banking Act. Cohen also introduces us to the most conservative member of FDR's inner circle, budget director Lewis Douglas. So close to Roosevelt that he and Moley made up the "bedside Cabinet" that met with the president every morning to brief him on his day, Douglas appealed to FDR's fiscally cautious side. For a time, his

we come to realize something to be alert to in the Obama administration. An effective captain of a team of rivals, like FDR, prods his fiercely competitive players to argue with one another to strengthen his own ability to make well-informed decisions. Current Cabinet members beware!

Perkins' experience demonstrates how complex the relationship between a loyal

Labor's Lady: Perkins set and accomplished the New Deal's progressive agenda at some cost to her personal life.

adviser and the president can be. She had a close connection with Roosevelt, often irking her Cabinet colleagues by managing to get a private word with FDR right after Cabinet meetings recessed. But that access did not always enable her to prevail. She sometimes lost control over programs she felt rightfully belonged to the Labor Department, most notably over immigration, naturalization, and deportation as Nazism spread in Europe and later as fears of communist infiltration raged at home. She was personally hurt that the president failed to come to her defense in 1939 when a committee in the House of Representatives red-baited her for refusing to deport the radical longshoreman Harry Bridges.

Perkins' life, too, reveals the personal cost people in public life may pay for their service, which often takes them physically and emotionally away from needy family members and friends. Downey and Cohen both explore with sensitivity the personal pain Perkins bore silently while she devoted herself to government service. Although she deeply loved her husband, progressive economist Paul Wilson, when they married in 1913, she struggled with how to preserve her own public identity and even harder, how to cope with his lifelong battle with bipolar disease and the frequent hospitalizations it required. Tragically, their one child suffered from the same crippling illness and dealt with it by lashing out at her mother, intensifying Perkins' sorrow and guilt. Both authors reveal the sacrifices that Perkins made to spend her life in the public eye but also convey that for some public figures, service to the nation gives solace and purpose to

an otherwise demoralizing private life.

Perkins' career as secretary of labor also offers useful lessons in advancing the interests of labor despite the enormous economic pressures of a depression. When Perkins arrived in her new post, the labor movement was in crisis, as union rivalries sapped labor's ability to organize and membership fell. By the time she left her office at Roosevelt's death in April 1945, she had overseen the passage and implementation of landmark laws to institutionalize collective bargaining and to establish minimum wages and maximum hours for millions of workers. Obama's secretary of labor, Hilda Solis, might take note of Perkins' strategy, as Solis takes over with a similar crisis facing the union movement that threatens to eviscerate what remains of labor's achievements during the nation's post-World War II prosperity. Perkins understood the importance of federal legislation that protects workers and establishes mechanisms for leveling the playing field between workers and

employers. She likely would have thrown her weight behind the Employee Free Choice Act currently under discussion, which would enable unions to gain recognition when a majority of workers sign cards rather than requiring a vote that gives employers ample opportunity to intimidate union supporters.

Strikingly, both of these books were written by accomplished journalists, not academic historians. Downey spent 20 years as a staff writer reporting on business and economics for *The Washington Post*. Cohen is currently an assistant editorial page editor of *The New York Times*. Their talents as writers make these readable books strong on narrative and character development. Not surprisingly, they engage little in scholarly debates about how to interpret the era. Nor do they submit their sources—often memoirs and oral histories—to vigorous interrogation for bias and distortions of memory. Likewise, their dependence on first-person accounts sometimes makes it hard for readers to see their historical



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subjects as others saw them. When such insights occasionally emerge—such as when Downey quotes a friend of Perkins’ as saying the labor secretary “was particularly easy to pick on, being easily agitated and not too tactful” or reveals that Perkins’ fellow Cabinet members were put off by her long-windedness at meetings—they come as a surprise.

Yet Downey’s and Cohen’s impressive ability to bring these five New Deal figures to life reminds us that administrations are made by more than the great man—someday it will be a great woman—elected by the voters. Lately, reading popular American history has often meant reading about the founding fathers. More than a taste for hagiography is involved here. In the story of the nation’s birth, history enthusiasts have

readily found compelling personalities animating American political history. In contrast, histories of the more recent past often focus on broad social movements and impersonal constructs such as the Cold War or deindustrialization. Cohen and Downey have made an important contribution by introducing readers to four men and one woman who, with dedication and rivalry, brilliance and pettiness, made a New Deal that continues to set the standard for overcoming a national economic crisis. **TAP**

Lizabeth Cohen, chair of the history department at Harvard University, is the author of Making a New Deal: Industrial Workers in Chicago, 1919–1939 and A Consumers’ Republic: The Politics of Mass Consumption in Postwar America.

BOOKS

HOW SUPREME A COURT?

THE SUPREME COURT AND THE AMERICAN ELITE, 1789–2008
BY LUCAS A. POWE JR., Harvard University Press, 421 pages, \$29.95

BY LAWRENCE M. FRIEDMAN

FOR BOTH LIBERALS AND CONSERVATIVES, whether or not Barack Obama can reshape the federal courts looms as one of the great uncertainties about his presidency. Although no one knows how many or which Supreme Court justices he may have a chance to replace, he will certainly have dozens of vacancies to fill in the lower federal courts. George W. Bush stuffed these courts with reactionaries, and Obama can surely make a difference by nominating more liberal judges. Still, the Supreme Court has the last say in the federal system, and at times in our history it has spoken with a very loud voice. If Obama initiates an era of Democratic political dominance, Lucas Powe Jr.’s new book suggests what accent that voice will have.

By combining two narratives usually kept separate, Powe claims to have written a new and different history of the Supreme Court. In histories of American politics, the Supreme Court is usually a bit player, appearing on stage at special moments—

say, for *Dred Scott* in 1857 or the New Deal cases—and then slinking back into the wings. In histories of the Supreme Court itself, on the other hand, the political background gets shortchanged. Powe’s ambition is to “[situate] the Court and its work within a broad narrative of American history.” And what conclusion does he reach? The Court, he finds, is a “majoritarian institution,” which “identifies with and serves ruling political coalitions.”

There is nothing startling about this proposition, except for those who are naive enough to think that the Court is impervious to politics and merely interprets the law in some neutral way. Of course, any nominee who wants Senate confirmation has to mouth this myth and pretend to total virginity on all controversial questions. But nobody really believes this, including (I suspect) the nominees themselves. The devil, as usual, is in the details. Just *how* political is the Court? And what does it mean to say that it “serves ruling political coalitions”? Is

it never independent? Does it never act boldly? A lot depends on how you define your terms. It is certainly true that the Court rarely gets very far ahead of dominant opinion, or very far behind. But exactly how and why and how much are questions that are hard to answer.

Powe, who teaches law at the University of Texas, has certainly written a book that is entertaining, quirky, idiosyncratic, fun to read, and more than occasionally insightful. It does blend together legal doctrine and American politics, and as a result the history is richer—and more complete—than the usual account. Yet something is curiously lacking. The book starts with the Court’s birth and takes us right up to the present. At that point, I expected a final chapter, summing up, telling us what we have learned from more than 200 years of politico-legal history. But after we reach Guantánamo Bay and other current issues, the book simply ends.

So what exactly is the relationship between the Court and its political context? There are dozens of specific examples in the book, but no general propositions emerge, except for very abstract ones. Perhaps there are none to be had. Or too many. What we do get are Powe’s personal judgments, which are at times cranky and opinionated. Harry Blackmun’s 1973 opinion in *Roe v. Wade*, Powe says, “competes successfully as the worst of the twentieth century” (Blackmun himself thought, not unreasonably, that it was legal statesmanship at its best). In general, Powe is quite harsh in his treatment of the abortion cases and surprisingly gentle on *Dred Scott*. But it would be wrong to think of him as the Rush Limbaugh of legal scholarship. For one thing, Robert Bork—Ronald Reagan’s failed 1987 nominee to the Court—comes off even worse than Blackmun. Powe remarks that after the Senate scuttled his nomination, “an unhinged Bork” showed through his “rantings” that he was “temperamentally unfit for the Bench.” This comes close to what used to be considered libel.

Is Powe right about the Court and “ruling political coalitions”? He never really defines the term (and in the title, he uses “American elite” instead). Apparently,

Powe intends the phrase to mean, for the most part, the party in power and its allies. Whatever the definition, the Court’s role in the political system depends on the period and the issue. Everybody knows that the modern presidency is vastly different from George Washington’s, or Abraham Lincoln’s, or even Franklin Roosevelt’s. The same is true of the role of the Supreme Court. The role of John Marshall’s court was different from that of Earl Warren’s. History teaches us a lot, but it never repeats itself. America in 2009 is not the America of 1789, and the Supreme Court has been very much a creature of its times.

Is it bad to reflect the views of “ruling political coalitions”? That too depends. One of the Supreme Court’s most important jobs is to create national standards and to bring the laggards into line with the majority. Take *Gideon v. Wainwright* (1963), one of the Warren Court’s happiest decisions. The case came out of Florida and led to the landmark ruling that a person accused of a serious crime, too poor to afford a lawyer, must be supplied with

one, at the expense of the state. But most states had already recognized the right to counsel for indigents—some states as early as 90 years before *Gideon*. Southern holdouts had to be dragged into the modern world kicking and screaming. Or take *Brown v. Board of Education* (1954).

Is it bad to reflect the views of “ruling political coalitions”? That depends. Bringing laggard states into line with the majority is often a good thing.

Most states had already abolished segregation in the schools or never had it. Or take *Loving v. Virginia* (1967), which got rid of miscegenation laws. Again, most states had repealed these laws before the Supreme Court made its move. In 2003, in *Lawrence v. Texas*, the Supreme Court struck down all existing sodomy laws. But only a minority of states still had such laws. In all these instances, the Court reflected “ruling political coalitions,” and a good thing too.

Powe mentions instance after instance, however, in which the Court was too weak or too cowardly to defy strongly entrenched public opinion, or the president, Congress, or people in general simply defied the Court, or threatened to. The Marshall Court could not save the

Cherokees. *Dred Scott* did not prevent the Civil War; quite the contrary. During the McCarthy era, the Court did very little to curb a horrendous right-wing tsunami that swept over the country. George W. Bush’s administration ran roughshod over the Bill of Rights. The Supreme Court eventually said no to some of the worst of the Bush offenses, but in the meekest and most tentative way. This was better than nothing. But it would be absurd to think the Court could or would have had much



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This weakness does not mean the Court is never of prime importance. Occasionally, it can and does move mountains. Historians argue about the impact of the anti-labor decisions of the late 19th and early 20th centuries. Did these decisions shape the American labor movement and retard the growth of the welfare state? There is a strong argument that the Court's impact was decisive. My view is that, despite the resistance of the South, *Brown v. Board* also made a significant and positive difference—and so did *Roe v. Wade*—but some scholars believe *Brown* catalyzed Southern opposition to desegregation, and Powe thinks *Roe* had a similar effect on the right-to-life movement. Still, without these cases, how long would it have taken to end segregation or to liberalize abortion? Surely much longer, and maybe never. And anyone who thinks the Court has no ultimate relevance is ignoring, alas, *Bush v. Gore*, which helped sentence us to eight years of an incompetent, disastrous, and ultra-right-wing administration.

There are also times when the Court does defy “ruling political coalitions.” Despite much fumbling, the Court insists on a separation of church and state, which is surely not what most Americans want (or what Congress says it wants) on such issues as prayer in public schools. The justices have life tenure, and once in a while they decide simply to wait out a storm of protest. When the Court declared flag-burning a form of free speech, the public shrieked, and the halls of Congress rang with indignant dithyrambs of praise for the stars and stripes. But the Court stuck to its guns, and the furor died down. Flag burning, after all, was not a vital issue to most people.

What can we expect from the Supreme Court in the near future? Probably the safest bet is that the Court will not accomplish much. In the first place, the Court has (for mysterious reasons) taken to deciding fewer cases. Then, too, the Court is so fractured that it is unlikely to mount any major initiatives. In a sense, Powe's thesis rings true, if he is saying the Court can only operate within rather narrow

political limits. The justices are, after all, products of their time and place. The most right-wing justice today is far more liberal on questions of race and gender—and far more committed to government regulation of the economy—than the most left-wing justice of the late 19th century.

But even a radical Court—radical right or radical left—can only do so much. The Court is not only, as the Federalist papers put it, the “least dangerous” branch, it is also the least powerful. Both Congress and the executive pack a mightier punch. Still, the president lasts at the most eight years and congressmen can (in theory) be

thrown out of office, but the justices serve for life. Once in a while—especially during the Warren years—the Court reflected, not simply public opinion, not simply the “ruling coalition” but the views of the enlightened, the views of the wisest and the best. It would be wrong to expect much enlightened decision-making from today's Court. But if Obama opens a new era, it may happen again. **TAP**

Lawrence M. Friedman, professor of law at Stanford Law School, is the author of A History of American Law (Simon and Schuster).

BOOKS

INTIMACY MEETS HARD TIMES

THE MARRIAGE-GO-ROUND: THE STATE OF MARRIAGE AND THE FAMILY IN AMERICA TODAY BY ANDREW J. CHERLIN, Knopf, 288 pages, \$25.95

THE LONELY AMERICAN: DRIFTING APART IN THE TWENTY-FIRST CENTURY BY JACQUELINE OLDS AND RICHARD S. SCHWARTZ Beacon Press, 228 pages, \$24.95

BY ALLISON J. PUGH

WHEN RICHARD SCHWARTZ, one of the authors of *The Lonely American*, was shoveling snow after a storm a few years ago, he looked up and noticed that all the other shovelers on his street were hired crews. Gone were the days when he and his neighbors used to tackle the job together, pausing from their task to reconnect socially. That change may now have some bearing on how Americans confront another kind of storm—in the economy.

In recent years, many Americans have paid for various services instead of relying on communities of friends and relatives. As a result, they have withdrawn from, or never developed, social connections that used to be important sources of support. In the face of economic crisis, will they now turn to kin and neighbors for favors, offering something in return, and in the process restore some of the torn and fraying fabric of their lives? Or will financial worries further weaken their social ties and personal relationships, destroying some families entirely?

Two new books, both written before the economic crisis, offer some perspective on how families may respond to rising financial pressures. Sociologist Andrew Cherlin's *The Marriage-Go-Round* is a masterful comparative analysis of marriage in the United States and other developed Western nations. Cherlin argues that Americans have a distinctive pattern—a revolving door of intimate partnerships, hence the term “marriage-go-round”—which stems from our simultaneous commitments to marriage and to self-expression and personal growth. In some countries, such as Italy, there is a strong marriage culture (including opposition to divorce), while in others such as Sweden marriage is treated virtually the same as cohabitation between unmarried partners. Only in America, Cherlin contends, is there a culture that cherishes both marriage and the right to exit from it.

Cherlin is agnostic about the impact of this pattern on adults. Yet in his calm, reasoned way, he sounds an important

alarm about the price paid by children for their parents' frantic partnering and re-partnering. Amazingly, children born to two married adults in America are more likely to see their parents break up than are children born to a cohabiting couple in Sweden. And among those American

It's the whites in the middle, those with a high school degree or just some college, who tend to cycle in and out of partnerships.

children born to couples who break up, almost half will see a new partner come into their household within three years, far more than in Europe. Almost 10 percent of children have mothers who will have three or more different live-in partners before the children turn 15.

When it comes to intimacy, there is, of course, no single American way. Whites with a college education as well as Latinos are the most likely to develop long-lasting marriages. In contrast, whites with less than a high-school degree and African-Americans are the most likely never to get married at all. It's the whites in the middle, those with a high school degree or just some college, who tend to cycle in and out of partnerships. They strive for a nuclear family, but their marriages often fall short—and then they start all over again.

These are the couples whose members aspire to the male-breadwinner family model, but the husbands can't sustain it on their incomes and the wives work out of economic necessity, breeding resentment on both sides. These are also the couples who are most likely to have homes in foreclosure. Unlike the poor, they were able to get a mortgage, but unlike the affluent, they don't have the means to ride out the economic crisis. Financial pressures drive the marriage-go-round of these white workers, and these pressures have only gotten worse.

Ironically, given criticism of African American family patterns, Cherlin says these less-educated whites could look to African American practices for ways to stabilize their children's lives. African American grandmothers, he suggests,

offer a model of a steady adult caregiver who can be a significant boon to a child buffeted by family breakups. Cherlin maintains, in fact, that it is the dogged allegiance of less-educated whites to the nuclear model that jeopardizes their children's chances to thrive. Slow down, he



urges lone parents. Don't feel compelled to re-partner quickly. “See the traffic light of singlehood as yellow rather than green.”

Due in part to institutional supports for the marriage-go-round, Cherlin does not see “a large-scale return to marriage, home, and childrearing” anytime soon, unless a future generation faces a cataclysmic series of events. “Only then would the exhaustion and the desire for an inward, nurturing family life that we saw in the Depression generation resurface.” At the time Cherlin wrote those words, the possibility of another “Depression generation” must have seemed remote, but now it looms as a serious possibility.

Some analysts question, however, whether an “inward” family life can really assure domestic stability. In *The Lonely American*, Schwartz and his wife Jacqueline Olds, both Harvard psychiatrists, argue that marriages need a wider web of social support. Americans, they say, have been burrowing in, trying to escape from the obligations and time-drain of wider social ties, but by doing so, they have actually been destabilizing their own relationships. Extended ties help main-

tain intimacy. They bring into a couple's lives people who act as witnesses, provide perspective, and often lead partners to behave more thoughtfully toward each other. Without that wider support, the spouse is everything—lover, companion, confidant—and the burden is too great.

And the married people are the lucky ones, because at least they have someone. Olds and Schwartz contend that Americans, married or not, have been withdrawing from social obligations and connections—a tendency they blame on some of the usual suspects, such as the “cult of busyness” and the ideal of the self-reliant loner.

Cherlin's book is the more analytically sophisticated of the two. Yet, in his comparative analysis of marriage, I wish he had explored the effects of Americans' devotion to work and the marketplace. Compared to their counterparts in other advanced countries, Americans in recent decades have worked longer hours, earned more income, and consumed goods and services at a higher rate. Those longer work hours interfere with intimate relationships as well as sociability outside of the workplace. And with their extra income, couples have bought services—from transportation to child care to snow shoveling—instead of relying on extended kin or neighbors. In short, both the push and the pull of the market have led Americans to withdraw from wider social connections.

For Americans who have been “choosing loneliness,” we can expect the financial crisis to chip away at their ability to buy the goods and services they need. Some may be able to reinvigorate community bonds withering from disuse. For those families on the marriage-go-round, however, the economic downturn is likely to make their nightmarish carousel turn even faster, as financial worries aggravate marital conflicts. The socially isolated, cocooning marriage may be as ill-suited to hard times as an SUV. **TAP**

Allison J. Pugh, assistant professor of sociology at the University of Virginia, is the author of Longing and Belonging: Parents, Children and Consumer Culture (University of California Press).

STEPHEN MALLON / CORBIS

My Recovery Prediction

BY ROBERT B. REICH

I'VE GOT SOMETHING OF A REPUTATION AS AN ECONOMIC soothsayer. Last March I predicted the economy would slide off a cliff in six months. Six months later, it did. How did I know? I'll get to that later. Now, I'm predicting the economy will start to recover in the second quarter of next year.

First, look at the economic fundamentals—such as historic ratios of home values to rents and incomes and of stock prices to corporate earnings. At the rate houses and stocks are now dropping, they'll be terrific bargains by the middle of next year. Meanwhile, given how fast business inventories are now dropping, firms will probably start rebuilding by then. Business investments in plants and equipment are now nearing a standstill, so by the third quarter of next year companies will need to replace lots of aging equipment. On the consumer side, the sharp falloff in spending on durables means lots of cars and appliances will begin wearing out by the middle of next year.

You get the point. There's a reason it's called the "business cycle." Contrary to Isaac Newton's law of gravity, what goes down eventually comes up. But how can I be so sure spending will pick up by the second quarter of next year? What if the outlook continues to be so grim that businesses and consumers delay new expenses and investments beyond the point they'd normally revive them? This is where the political cycle comes in. A president's party tends to lose seats in the first midterm elections, but Obama knows he can hold on to his majorities if he handles the economy well. Voters respond to economic trends more than to current levels—to where the economy is heading rather than to where it is. Regardless of how the economy is doing in the months leading up to the midterm election in November

2010, voters will keep Democratic majorities in the House and Senate if they think the economy is on the mend.

That's why the \$787 billion stimulus package was designed like a timed-release cold capsule. Stimulus spending will increase through to the end of 2009 and continue full blast in 2010. Although it's too small to restore the economy to full health by Election Day, the stimulus needs only to give the economy enough momentum by then to convince voters it's on the way to being restored.

But what if the current stimulus is too small even to accomplish this narrower political purpose? Revised figures from the Commerce Department at the end of February showed the economy contracting at a 6.2 percent annualized rate—much faster than was supposed when the stimulus was introduced. Absent additional government spending, aggregate demand this year and next (consumer spending plus business investment plus exports) could well total \$3 trillion less than the economy is capable of producing at full capacity. Even assuming each dollar of stimulus generates \$1.50 in new spending as it winds its way through the economy, we're still way short. So in order to give the economy a sufficient boost to be in recovery mode by Election Day, Obama will have to return to Congress, seeking a second stimulus.

Republicans are making exactly the same economic-political calculation. That's why they almost uniformly opposed the original stimulus and will surely seek to block any second one. The last thing they want is an economic recovery by the midterm election. They'd rather voters think the economy is stuck and that Obama's policies have failed. That way, they can turn the midterms into a referendum on Obama, just the way Newt Gingrich turned the 1994 midterms into a referendum on Clinton. That means that if Obama is to win a second stimulus, he'll be depending on one or two Republican votes in the Senate. But remember the Maine: That state's two senators backed Obama before and will do it again.

The wild card is the mammoth bailouts of Wall Street and the Big Three, which most Americans almost uniformly oppose. Congressional Republicans claim to be outraged—outraged!—as well. So far, Obama has been treading a fine line between criticizing the bailees and still giving them what they want. But if he returns to Congress seeking more bailout money, he faces the twofold risk of not getting it (many Democrats are equally outraged) and appearing hypocritical. The bailouts are also requiring more money from foreign lenders, mostly China and Japan, which increases the risk of

higher interest rates later next year. Higher rates could choke off any recovery. But knowing the political cycle, the administration will attempt rapid triage—let healthy banks fend for themselves, close failing ones, and demand equity in bailed out banks and automakers. If Obama moves fast enough, voters will begin to see an increase in the value of their involuntary investments by the second quarter of 2010.

Hence, my prediction for the recovery. And remember how perfectly I predicted the meltdown. Full disclosure: I had been making the same prediction—that the economy would fall off a cliff in six months—for five years. **TAP**

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